

**8. FINANCIAL INFORMATION (cont'd)****(vi) Share of profits of Associates and jointly controlled entities**

For any financial period, our share of profit after tax and minority interest of equity accounted Associates and jointly controlled entities is dependent on the results of operations of our Associates and jointly controlled entities. Our Associates and jointly controlled entities for the year ended 31 March 2010 and the 4 months ended 31 July 2010 consisted of BASF PETRONAS Chemicals, BP PETRONAS Acetyls, Idemitsu SM, Kertih Terminals, Polyethylene Malaysia and Malaysian NPK Fertilizer. On 2 September 2010, the acquisition of BP Chemicals' interest in Polyethylene Malaysia was completed and as a result, Polyethylene Malaysia has become our wholly-owned subsidiary instead of a jointly controlled entity.

For the years ended 31 March 2008 and 31 March 2009, our jointly controlled entities also included OPTIMAL Glycols and OPTIMAL Chemicals. In September 2009, Dow Chemical's 50% interest in each of OPTIMAL Glycols and OPTIMAL Chemicals was acquired and both companies are now our wholly-owned subsidiaries.

**(vii) Taxation****(a) Tax incentives**

The Government of Malaysia provides a range of tax incentives for the promotion of investments in selected industries. Some of the major incentives available in Malaysia are the Investment Tax Allowance ("ITA") and the Reinvestment Allowance ("RA"). Several of our companies are currently enjoying these incentives.

**(b) Investment tax allowance**

The ITA is available to companies involved in promoted activities or promoted products. ITA is an allowance (in addition to the capital allowance) on qualifying plant and equipment acquired by a company during the ITA period (i.e., 5 years from the effective date). Several of our subsidiaries have been granted the ITA under Section 26A (national and strategic importance) and Section 26B (ITA in promoted areas, namely Kertih and Bintulu in the case of PCG) of the Promotion of Investments Act 1986, respectively. Under these categories, the rate of ITA is 100% on the qualifying capital expenditure. The ITA can be offset against 100% of the statutory income of the company. Any unused allowances in a year can be carried forward to future years indefinitely for set off against the future taxable business income in the post-ITA period.

**(c) Re-investment allowance**

The RA is available for manufacturing companies that incur capital expenditures on projects for purposes of expansion, modernisation, automation or diversification. There are 4 of our subsidiaries that currently qualify for this incentive. The rate of RA is 60% on the qualifying capital expenditures and this amount is in addition to capital allowances claims. The RA is used to reduce up to 70% of statutory income. Any unused RA may be carried forward to future years indefinitely. The incentive period for RA is fifteen consecutive years beginning from the first year of claim by a company.



## 8. FINANCIAL INFORMATION (cont'd)

## 8.2.5 Review of past performance

## (i) 4 months ended 31 July 2010 compared to 4 months ended 31 July 2009

The following table presents selected income statement data, the percentage such amounts represent of total revenue and their percentage change for the periods indicated:

	4 months ended 31 July				
	2009 (unaudited)	% of revenue	2010 (audited)	% of revenue	% change
	(RM million, except percentages)				
Revenue	3,252	100.0	4,218	100.0	29.7
Cost of revenue	(2,395)	(73.6)	(3,010)	(71.4)	25.7
Gross profit	857	26.4	1,208	28.6	41.0
Selling and distribution expenses	(118)	(3.6)	(127)	(3.0)	7.6
Administration expenses	(100)	(3.1)	(98)	(2.3)	(2.0)
Other expenses	(15)	(0.5)	(46)	(1.1)	206.7
Other income	76	2.3	133	3.2	75.0
Operating profit	700	21.5	1,070	25.4	52.9
Financing costs	(16)	(0.5)	(24)	(0.6)	50.0
Share of profit after tax and minority interest of equity accounted Associates and jointly controlled entities	56	1.7	172	4.0	207.1
PBT	740	22.7	1,218	28.8	64.6
Tax expense	(153)	(4.7)	(280)	(6.6)	83.0
PAT	587	18.0	938	22.2	59.8

## (a) Revenue

For the 4 months ended 31 July 2010, our revenue increased by 29.7% to RM4,218 million compared to RM3,252 million for the 4 months ended 31 July 2009. The increase in our revenue resulted mainly from a 37.5% increase in revenue from our olefins and polymers segment, as well as a 9.7% increase in our fertilizers and methanol segment compared to the corresponding period in 2009. Our olefins and polymers segment continued to be our top revenue generator, accounting for 75.5% of our total revenue for the 4 months ended 31 July 2010, compared to 71.2% for the corresponding period in 2009. Our fertilizers and methanol segment accounted for 23.9% of our total revenue for the 4 months ended 31 July 2010, compared to 28.3% for the corresponding period in 2009. The RM generally appreciated against the USD during the 4 months ended 31 July 2010, and this exchange rate movement had a negative impact overall on the revenue for both the olefins and polymers segment and the fertilizers and methanol segment.

**8. FINANCIAL INFORMATION** (cont'd)

The higher revenue from our olefins and polymers segment for the 4 months ended 31 July 2010 compared to the corresponding period in 2009 was mainly due to the acquisition of Dow Chemical's interest in OPTIMAL Chemicals and OPTIMAL Glycols in September 2009. As a result of the acquisition, sales of ethylene glycols, performance chemicals and other chemicals by OPTIMAL Chemicals were included in our revenue for the 4 months ended 31 July 2010. An 80.8% increase in sales of polyethylene, a 45.8% increase in sales of propylene and a 25.2% increase in sales of ethylene also contributed to the increase in revenue for the olefins and polymers segment. The increase in sales of polyethylene was due mainly to fewer shutdown days at PETLIN's facilities and an increase in demand during the 4 months ended 31 July 2010 compared to the corresponding period in 2009, contributing to a 47.6% increase in the volume of polyethylene sold. The increase in sales of propylene was mainly due to a 53.2% increase in price. Sales of ethylene increased mainly due to a 66.9% increase in price arising from strong demand, offset in part by a 17.8% decrease in volume sold. The decrease in volume sold was due to the acquisition of Dow Chemical's interest in OPTIMAL Chemicals and OPTIMAL Glycols, following which sales of ethylene by OPTIMAL Olefins to OPTIMAL Chemicals and OPTIMAL Glycols became inter-company transactions, which are eliminated upon consolidation and are not included in our revenue.

The increase in revenue was offset in part by declines in revenue from sales of certain other olefins and polymers, primarily paraxylene. Paraxylene sales decreased by 35.4% compared to the corresponding period in 2009 due to a 31.0% decrease in sales volume, which resulted mainly from a higher number of shutdown days at the Aromatics Malaysia plant.

The increase in revenue from our fertilizers and methanol segment for the 4 months ended 31 July 2010 compared to the 4 months ended 31 July 2009 was mainly due to increased revenue from sales of methanol and ammonia. Methanol sales increased by 31.3% as a result of a 10.0% increase in sales volume and 31.0% increase in price. The increase in sales volume was due to increased production following the commencement of production at our Mega Methanol plant in Labuan in May 2009, while the increase in price resulted from greater demand, particularly from the construction and industrial sectors in Asia. Ammonia sales increased by 26.6% mainly due to a 41.4% increase in price from improved market conditions. The price increase more than offset a 2.1% decrease in ammonia sales volume.

Revenue from our other businesses segment increased by 50.0% to RM27 million for the 4 months ended 31 July 2010 compared to RM18 million for the 4 months ended 31 July 2009. The increase in revenue from this segment was mainly due to short term contract sales of general merchandise by MITCO.

**8. FINANCIAL INFORMATION (cont'd)**

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Our export sales increased slightly for the 4 months ended 31 July 2010 compared to the corresponding period in 2009. The increase was mainly due to the inclusion of sales by OPTIMAL Chemicals, whose products are sold mostly in the export market, following the acquisition of Dow Chemical's interest in OPTIMAL Chemicals. In addition, increased export sales of polyethylene and methanol also contributed to the increase in export sales. Export sales of polyethylene increased due to improved market conditions, which led to an increase in the price and volume of polyethylene exported. Export sales of methanol increased as the Mega Methanol plant in Labuan began production in May 2009. However, the increases were partially offset by lower export sales of paraxylene.

**(b) Cost of revenue**

Our cost of revenue for the 4 months ended 31 July 2010 increased by 25.7% to RM3,010 million compared to RM2,395 million for the 4 months ended 31 July 2009. The increase was principally due to increases in feedstock cost, energy and utilities cost, cost of materials and supplies and depreciation.

Feedstock cost was our primary cost of revenue, comprising 53.6% of our total cost of revenue for the 4 months ended 31 July 2010, compared to 51.2% for the corresponding period in 2009. For the 4 months ended 31 July 2010, our feedstock cost increased by 31.4% to RM1,612 million compared to RM1,227 million for the corresponding period in 2009. The increase was due mainly to higher prices for propane and butane paid by MTBE Malaysia in line with increased market prices for propane and butane. Also contributing to the increase in feedstock cost was the increase in the volume of methane used by PETRONAS Methanol when its Mega Methanol plant commenced production in May 2009 as well as higher methane price. The cost of feedstock also increased due to the inclusion of the feedstock cost of OPTIMAL Chemicals after our acquisition of Dow Chemical's interest in that company in September 2009. These increases were offset in part by a decrease in the volume of heavy naphtha used by Aromatics Malaysia due to a higher number of shutdown days.

Energy and utilities cost increased by 33.4% to RM427 million for the 4 months ended 31 July 2010 compared to RM320 million for the 4 months ended 31 July 2009 while the cost of materials and supplies increased by 84.3% to RM188 million for the 4 months ended 31 July 2010 compared to RM102 million for the 4 months ended 31 July 2009. The increase in these costs was mainly due to the acquisition of Dow Chemical's interest in OPTIMAL Chemicals and OPTIMAL Glycols.

Depreciation included in cost of revenue increased by 36.3% to RM323 million for the 4 months ended 31 July 2010 compared to RM237 million for the 4 months ended 31 July 2009 mainly due to the commencement of production at PETRONAS Methanol's Mega Methanol plant in May 2009 and the depreciation of OPTIMAL Chemicals and OPTIMAL Glycols being added to our depreciation after they became our subsidiaries in September 2009.

**8. FINANCIAL INFORMATION (cont'd)**

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**(c) Gross profit and gross margin**

As a result of the factors discussed above, our gross profit for the 4 months ended 31 July 2010 increased by 41.0% to RM1,208 million, compared to RM857 million in the corresponding period in 2009. Our gross margin increased to 28.6% for the 4 months ended 31 July 2010, compared to 26.4% for the 4 months ended 31 July 2009.

**(d) Selling and distribution expenses**

Our selling and distribution expenses increased by 7.6% to RM127 million for the 4 months ended 31 July 2010 from RM118 million for the 4 months ended 31 July 2009. The increase was mainly due to a 14.5% increase in freight costs from RM55 million for the 4 months ended 31 July 2009 to RM63 million for the 4 months ended 31 July 2010. The increase in freight costs was primarily due to an increase in export sales volume of methanol compared to the corresponding period in 2009 as a result of the commencement of production at our Mega Methanol plant in May 2009.

**(e) Administration expenses**

Administration expenses decreased by 2.0% to RM98 million for the 4 months ended 31 July 2010 compared to RM100 million for the 4 months ended 31 July 2009. This decrease was mainly due to a 12.5% decrease in staffing costs from RM40 million for the 4 months ended 31 July 2009 to RM35 million for the 4 months ended 31 July 2010. The reduction in staffing costs resulted mainly from cost savings effort. The decrease was offset in part by an increase in electronic processing data expenses by RM2 million due to increased use of information technology equipment and new subscriptions to website services.

**(f) Other expenses**

Our other expenses increased by 206.7% to RM46 million for the 4 months ended 31 July 2010 from RM15 million for the 4 months ended 31 July 2009, mainly due to an increase in realized foreign exchange losses from RM8 million for the 4 months ended 31 July 2009 to RM34 million for the 4 months ended 31 July 2010 as well as an increase in unrealized foreign exchange losses from RM5 million in the 4 months ended 31 July 2009 to RM10 million for the 4 months ended 31 July 2010. The increase in realized foreign exchange losses mainly reflects the inclusion of realized foreign exchange losses of OPTIMAL Chemicals and OPTIMAL Glycols, which became our subsidiaries in September 2009, as well as MITCO and Vinyl Chloride (Malaysia) realizing losses on their trade receivables as the RM strengthened against the USD and the EUR, respectively. The increase in unrealized foreign exchange losses resulted mainly from unrealized losses on MITCO's trade receivables balance and derivatives as the RM strengthened against the USD.

**8. FINANCIAL INFORMATION (cont'd)**

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**(g) Other income**

For the 4 months ended 31 July 2010, our other income increased by 75.0% to RM133 million compared to RM76 million for the 4 months ended 31 July 2009, mainly due to an increase in unrealized foreign exchange gains from RM12 million for the 4 months ended 31 July 2009 to RM38 million for the 4 months ended 31 July 2010. The increase in unrealized foreign exchange gains resulted mainly from the reversal of unrealized losses on MITCO's trade receivables balance and the inclusion of unrealized foreign exchange gains of OPTIMAL Chemicals and OPTIMAL Glycols, which became our subsidiaries in September 2009. Other income also increased by RM12.6 million as a result of higher insurance claim during the period. Interest income also increased by RM8 million for the 4 months ended 31 July 2010 due to higher investment balances at ASEAN Bintulu Fertilizer and Ethylene Malaysia.

**(h) Operating profit**

As a result of the factors discussed above, our operating profit for the 4 months ended 31 July 2010 increased by 52.9% to RM1,070 million from RM700 million in the corresponding period in 2009.

**(i) Financing costs**

Our financing costs increased by 50.0% to RM24 million for the 4 months ended 31 July 2010 compared to RM16 million for the 4 months ended 31 July 2009. This increase mainly reflects the inclusion of the financing costs of OPTIMAL Chemicals and OPTIMAL Glycols, which became our subsidiaries in September 2009, partially offset by a decrease in financing costs from the repayment of outstanding USD-denominated loans and Al Bai'bithaman Ajil Islamic debt securities by OPTIMAL Olefins.

**(j) Share of profits of Associates and jointly controlled entities**

Our share of profits of Associates and jointly controlled entities increased substantially from RM56 million for the 4 months ended 31 July 2009 to RM172 million for the 4 months ended 31 July 2010. The increase was mainly due to an increase in profits of BASF PETRONAS Chemicals which recorded increased sales volume and margins on oxo-alcohols and acrylics products during the 4 months ended 31 July 2010.

**(k) Tax expense**

Our tax expense increased by 83.0% to RM280 million for the 4 months ended 31 July 2010 compared to RM153 million for the 4 months ended 31 July 2009. The increase was mainly due to higher profits recorded by OPTIMAL Olefins and Ethylene Malaysia, offset in part by lower taxes for Aromatics Malaysia. Our effective tax rate increased to 23.0% for the 4 months ended 31 July 2010 from 20.7% for the 4 months ended 31 July 2009. The lower effective tax rate in the 4 months ended 31 July 2009 compared to the 4 months ended 31 July 2010 was mainly due to higher utilization of tax incentive in the 4 months ended 31 July 2009 resulting in lower tax expense.

## 8. FINANCIAL INFORMATION (cont'd)

## (i) PAT

As a result of the factors discussed above, our profit for the year increased by 59.8% to RM938 million for the 4 months ended 31 July 2010 compared to RM587 million in the corresponding period in 2009.

## (ii) Year ended 31 March 2010 compared to year ended 31 March 2009

The following table presents selected income statement data, the percentage such amounts represent of total revenue and their percentage change for the periods indicated:

	Year ended 31 March				
	2009 (audited)	% of revenue	2010 (audited)	% of revenue	% change
	(RM million, except percentages)				
Revenue	12,367	100.0	12,203	100.0	(1.3)
Cost of revenue	(7,500)	(60.6)	(8,561)	(70.2)	14.1
Gross profit	4,867	39.4	3,642	29.8	(25.2)
Selling and distribution expenses	(335)	(2.7)	(351)	(2.9)	4.8
Administration expenses	(320)	(2.6)	(318)	(2.6)	(0.6)
Other expenses	(111)	(0.9)	(127)	(1.0)	14.4
Other income	342	2.8	403	3.3	17.8
Operating profit	4,443	36.0	3,249	26.6	(26.9)
Financing costs	(57)	(0.5)	(62)	(0.5)	8.8
Share of profit after tax and minority interest of equity accounted Associates and jointly controlled entities	25	0.2	181	1.5	624.0
PBT	4,411	35.7	3,368	27.6	(23.6)
Tax expense	(962)	(7.8)	(774)	(6.3)	(19.5)
PAT	3,449	27.9	2,594	21.3	(24.8)

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**8. FINANCIAL INFORMATION (cont'd)****(a) Revenue**

For the year ended 31 March 2010, our revenue decreased by 1.3% to RM12,203 million compared to RM12,367 million for the year ended 31 March 2009. The decrease in our revenue was mainly due to a 22.1% decrease in revenue from our fertilisers and methanol segment, offset in part by an increase in revenue from our olefins and polymers segment, which increased by 7.7% compared to the prior year. Our olefins and polymers segment continued to be our top revenue generator, accounting for 75.8% of our total revenue for the year ended 31 March 2010, compared to 69.5% in the prior year. Our fertilisers and methanol segment accounted for 23.7% of our total revenue for the year ended 31 March 2010, compared to 30.0% in the prior year. The movements in the USD and RM exchange rate during the year ended 31 March 2010 had a positive impact overall on the revenue for both the olefins and polymers segment and the fertilisers and methanol segment.

The higher revenue from our olefins and polymers segment for the year ended 31 March 2010 compared to the prior year was mainly due to the acquisition of Dow Chemical's interest in OPTIMAL Chemicals and OPTIMAL Glycols in September 2009. As a result of the acquisition, sales of ethylene glycols by OPTIMAL Glycols and sales of performance chemicals and other chemicals by OPTIMAL Chemicals were included in our revenue for the year ended 31 March 2010. A 56.3% increase in sales of MTBE also contributed to the increase in revenue for the olefins and polymers segment. The increase in sales of MTBE was due mainly to fewer shutdown days at MTBE Malaysia's facilities during the year compared to the year ended 31 March 2009, contributing to a 58.1% increase in the volume of MTBE sold.

The increase in revenue was offset in part by declines in revenue from sales of certain other olefins and polymers, primarily ethylene, propylene and polyethylene. As a result of the acquisition of Dow Chemical's interest in OPTIMAL Chemicals and OPTIMAL Glycols, sales of ethylene and propylene by OPTIMAL Olefins to OPTIMAL Chemicals and OPTIMAL Glycols became inter-company transactions, which are eliminated upon consolidation and are not included in our revenue. The decrease in polyethylene sales was due to a 13.5% decrease in sales volume, which resulted mainly from turnaround activities at PETLIN's facilities, and a 4.0% decrease in price compared to the prior year.

The decrease in revenue from our fertilisers and methanol segment for the year ended 31 March 2010 compared to the year ended 31 March 2009 was mainly due to decreased revenue from sales of urea and ammonia. Urea sales decreased as a result of a 35.7% decline in price caused by generally high levels of supply and to a lesser extent by a 1.3% decrease in sales volume due to turnaround activities at PETRONAS Fertilizer's facilities. Ammonia sales decreased due to a 47.6% decline in price, which more than offset a 5.6% increase in sales volume. The lower revenue from urea and ammonia was offset in part by higher revenue from the sale of methanol, which was primarily a result of our increased production following the commencement of production at our Mega Methanol plant in Labuan in May 2009. The sales volume for methanol increased by 69.0%, offset in part by an 18.6% decrease in the price for methanol, caused mainly by new methanol production capacity additions in China, the Middle East and Southeast Asia.

**8. FINANCIAL INFORMATION (cont'd)**

Revenue from our other businesses segment was relatively unchanged, decreasing by 13.9% to RM62 million for the year ended 31 March 2010 compared to RM72 million for the year ended 31 March 2009. The revenue from this segment was derived primarily from services provided by Kertih Port.

Our export sales increased for the year ended 31 March 2010 compared to the prior year mainly due to the inclusion of sales by OPTIMAL Chemicals, whose products are sold mostly in the export market, following the acquisition of Dow Chemical's interest in OPTIMAL Chemicals. In addition, export sales of methanol increased as the Mega Methanol plant in Labuan began production in May 2009, and export sales of MTBE increased due to fewer shutdown days compared to the prior year. These increases more than offset the decrease in export sales of urea and polyethylene.

**(b) Cost of revenue**

Our cost of revenue for the year ended 31 March 2010 increased by 14.1% to RM8,561 million compared to RM7,500 million for the year ended 31 March 2009. The increase was principally due to an increase in feedstock cost and depreciation.

Feedstock cost was our primary cost of revenue, comprising 58.0% of our total cost of revenue for the year ended 31 March 2010, compared to 55.8% in the prior year. For the year ended 31 March 2010, our feedstock cost increased by 18.6% to RM4,965 million compared to RM4,187 million for the year ended 31 March 2009. The increase was due mainly to increased methane feedstock used by PETRONAS Methanol when its Mega Methanol plant commenced production in May 2009 and an upward revision in the price paid by PETRONAS Methanol for methane effective 1 April 2009. Also contributing to the increase in feedstock cost was the increase in the price and volume of propane and butane used for the production of MTBE. The price we paid for propane and butane increased in line with market prices for propane and butane and the volume of propane and butane used for the production of MTBE increased as there were fewer shutdown days at MTBE Malaysia for the year ended 31 March 2010. The cost of feedstock also increased due to the inclusion of the feedstock cost of OPTIMAL Chemicals after the acquisition of Dow Chemical's interest in that company.

Depreciation included in cost of revenue increased by 32.0% to RM842 million for the year ended 31 March 2010 compared to RM638 million for the year ended 31 March 2009 mainly due to the commissioning of PETRONAS Methanol's Mega Methanol plant during the year and the depreciation of OPTIMAL Chemicals and OPTIMAL Glycols being added to our depreciation after they became our subsidiaries during the year.

**(c) Gross profit and gross margin**

As a result of the factors discussed above, our gross profit for the year ended 31 March 2010 decreased by 25.2% to RM3,642 million, compared to RM4,867 million in the prior year. Our gross margin decreased to 29.8% for the year ended 31 March 2010, compared to a gross margin of 39.4% for the year ended 31 March 2009.

**8. FINANCIAL INFORMATION (cont'd)**

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**(d) Selling and distribution expenses**

Our selling and distribution expenses increased by 4.8% to RM351 million for the year ended 31 March 2010 from RM335 million for the year ended 31 March 2009. The increase was mainly due to a 41.9% increase in freight costs from RM105 million for the year ended 31 March 2009 to RM149 million for the year ended 31 March 2010, partially offset by a 24.3% decrease in transportation charges from RM103 million for the year ended 31 March 2009 to RM78 million for the year ended 31 March 2010. The increase in freight costs was primarily due to an increase in export sales volume of methanol compared to the prior year as a result of the commencement of production at our Mega Methanol plant in May 2009. The decrease in transportation charges was due mainly to a reduction in transportation charges incurred by Vinyl Chloride (Malaysia) as the domestic sales volume of VCM decreased by 50.0% compared to the prior year.

**(e) Administration expenses**

Administration expenses decreased by 0.6% to RM318 million for the year ended 31 March 2010 compared to RM320 million for the year ended 31 March 2009. This decrease was mainly due to a 6.2% decrease in staffing costs from RM145 million for the year ended 31 March 2009 to RM136 million for the year ended 31 March 2010 as a result of cost savings related to staff training and development. Rental payments increased by 21.4% from RM14 million for the year ended 31 March 2009 to RM17 million for the year ended 31 March 2010 mainly due to a higher rental rate for MITCO's office space.

**(f) Other expenses**

Our other expenses increased by 14.4% to RM127 million for the year ended 31 March 2010 from RM111 million for the year ended 31 March 2009. The increase was mainly due to a write-off of RM51 million relating to the plant debottlenecking project at PETRONAS Fertilizer and an increase in realised foreign exchange losses from RM9 million for the year ended 31 March 2009 to RM41 million for the year ended 31 March 2010. These realised foreign exchange losses resulted mainly from Aromatics Malaysia and OPTIMAL Chemicals realising losses on their trade receivables as the RM strengthened against the USD and Phu My realising losses on its trade receivables as the USD strengthened against the VND. The effect of these increases on other expenses was offset in part by a 74.4% decrease in unrealised foreign exchange losses to RM23 million for the year ended 31 March 2010 from RM90 million for the year ended 31 March 2009. The decrease resulted mainly from the reversal of unrealised foreign exchange losses on USD denominated loans of Aromatics Malaysia, OPTIMAL Olefins and PETLIN upon full payment of these loans, offset in part by a higher unrealised foreign exchange loss by MITCO.

**8. FINANCIAL INFORMATION (cont'd)**

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**(g) Other income**

For the year ended 31 March 2010, our other income increased by 17.8% to RM403 million compared to RM342 million for the year ended 31 March 2009. The increase was mainly due to a negative goodwill of RM175 million recorded in connection with the acquisition of Dow Chemical's interest in OPTIMAL Glycols. These increases were offset in part by a decrease in interest income and a decrease in realised foreign exchange gains. Interest income decreased by 26.3% from RM228 million for the year ended 31 March 2009 to RM168 million for the year ended 31 March 2010 due to lower average interest rates. Realised foreign exchange gains decreased by 90.7% from RM54 million for the year ended 31 March 2009 to RM5 million for the year ended 31 March 2010 due to the effect of the strengthening of RM against the USD on the trade receivables of PETLIN and MITCO.

**(h) Operating profit**

As a result of the factors discussed above, our operating profit for the year ended 31 March 2010 decreased by 26.9% to RM3,249 million from RM4,443 million in the prior year.

**(i) Financing costs**

Our financing costs increased by 8.8% to RM62 million for the year ended 31 March 2010 compared to RM57 million for the year ended 31 March 2009. This increase mainly reflects the inclusion of the financing costs of OPTIMAL Chemicals and OPTIMAL Glycols, which became our subsidiaries in September 2009, partially offset by a decrease in financing costs from the repayment of outstanding loans during the year by Aromatics Malaysia, Vinyl Chloride (Malaysia) and Kertih Port.

**(j) Share of profits of Associates and jointly controlled entities**

Our share of profits of Associates and jointly controlled entities increased substantially from RM25 million for the year ended 31 March 2009 to RM181 million for the year ended 31 March 2010. The increase was mainly due to a net loss recorded by BASF PETRONAS Chemicals for the year ended 31 March 2009 as a result of an impairment charge on its property, plant and equipment for its butanediol plant due to weakened demand globally and an increase in gas prices, while there was no such impairment charge for the year ended 31 March 2010. In addition, profits of BASF PETRONAS Chemicals increased significantly for the year ended 31 March 2010 as a result of a recovery in the market for certain of BASF PETRONAS Chemicals' products, namely oxo-alcohols and acrylics products. The increase in our share of profits of Associates was offset in part by the elimination of our share of profit from OPTIMAL Chemicals as OPTIMAL Chemicals was consolidated as a subsidiary following the acquisition of Dow Chemical's interest in September 2009.

## 8. FINANCIAL INFORMATION (cont'd)

## (k) Tax expense

Our tax expense decreased by 19.5% to RM774 million for the year ended 31 March 2010 compared to RM962 million for the year ended 31 March 2009. The decrease was mainly due to lower profit recorded by PETRONAS Methanol, ASEAN Bintulu Fertilizer, PETRONAS Fertilizer and PETRONAS Ammonia, offset in part by higher taxes paid by MTBE Malaysia which had utilised the PETRONAS Group tax relief in the prior year but did not do so for the year ended 31 March 2010. Our effective tax rate increased to 23.0% for the year ended 31 March 2010 from 21.8% for the year ended 31 March 2009 mainly due to the PETRONAS Group tax relief that was utilised in the year ended 31 March 2009.

## (l) PAT

As a result of the factors discussed above, our PAT decreased by 24.8% to RM2,594 million for the year ended 31 March 2010 compared to RM3,449 million in the prior year.

## (iii) Year ended 31 March 2009 compared to year ended 31 March 2008

The following table presents selected income statement data, the percentage such amounts represent of total revenue and their percentage change for the periods indicated:

	Year ended 31 March				
	2008 (audited)	% of revenue	2009 (audited)	% of revenue	% change
	(RM million, except percentages)				
Revenue	12,855	100.0	12,367	100.0	(3.8)
Cost of revenue	(6,499)	(50.6)	(7,500)	(60.6)	15.4
Gross profit	6,356	49.4	4,867	39.4	(23.4)
Selling and distribution expenses	(337)	(2.6)	(335)	(2.7)	(0.6)
Administration expenses	(319)	(2.5)	(320)	(2.6)	0.3
Other expenses	(55)	(0.4)	(111)	(0.9)	101.8
Other income	283	2.2	342	2.8	20.8
Operating profit	5,928	46.1	4,443	36.0	(25.1)
Financing costs	(81)	(0.6)	(57)	(0.5)	(29.6)
Share of profit after tax and minority interest of equity accounted Associates and jointly controlled entities	273	2.1	25	0.2	(90.8)
PBT	6,120	47.6	4,411	35.7	(27.9)
Tax expense	(1,491)	(11.6)	(962)	(7.8)	(35.5)
PAT	4,629	36.0	3,449	27.9	(25.5)

**8. FINANCIAL INFORMATION** (cont'd)

## (a) Revenue

For the year ended 31 March 2009, our revenue decreased by 3.8% to RM12,367 million, compared to RM12,855 million for the year ended 31 March 2008. This decrease was mainly due to a 14.2% decrease in revenue from our olefins and polymers segment, offset in part by a 36.1% increase in revenue from our fertilisers and methanol segment. Olefins and polymers comprised 69.5% of our total revenue for the year ended 31 March 2009 and 77.9% of our revenue in the prior year. Our fertilisers and methanol segment accounted for 30.0% of our revenue for the year ended 31 March 2009 compared to 21.2% of our revenue in the prior year. The movements in the USD and RM exchange rate during the year ended 31 March 2009 had a positive impact overall on the revenue for both the olefins and polymers segment and the fertilisers and methanol segment.

Revenue from our olefins and polymers segment decreased by 14.2% to RM8,590 million for the year ended 31 March 2009, compared to RM10,016 million for the year ended 31 March 2008. The decrease was mainly due to lower revenue from our sales of ethylene, MTBE, benzene and VCM. For ethylene, the decrease in revenue was due mainly to lower prices, which decreased by 20.4% compared to the prior year. For MTBE, benzene and VCM, sales volume decreased by 36.1%, 16.8% and 46.1%, respectively, for the year ended 31 March 2009 compared to the prior year. In the case of MTBE, the decrease in sales volume was primarily due to an increase in the number of shutdown days for the year ended 31 March 2009 compared to the prior year due to upgrading of computer control systems and repair of a processing unit during the scheduled turnaround period as well as a 3-month shutdown of the plant in response to decreased market demand for MTBE during that period. In the case of VCM, the decrease in sales volume resulted from Vinyl Chloride (Malaysia) using its VCM internally to produce a greater volume of PVC instead of selling the VCM to third party customers to take advantage of higher prices for PVC. Sales volume for benzene decreased due to lower demand caused mainly by the global economic crisis.

Revenue from our fertilisers and methanol segment increased by 36.1% to RM3,705 million for the year ended 31 March 2009, compared to RM2,722 million in the prior year. This increase was mainly due to higher revenue from sales of urea and ammonia, which resulted from higher prices and sales volume for these products as demand from food industries increased and there was lower supply from producers in China. The price of urea increased by 42.8% for the year ended 31 March 2009, while sales volume increased by 3.9%. The price of ammonia increased by 66.2% and sales volume for ammonia increased by 10.2%. The increase in revenue from urea and ammonia more than offset a 7.5% decrease in revenue from the sale of methanol resulting mainly from a 21.6% decrease in the price for methanol compared to the prior year.

Revenue from our other businesses segment decreased by 38.5% to RM72 million for the year ended 31 March 2009 compared to RM117 million for the prior year, mainly due to lower revenues from the sale of general merchandise. The decrease resulted from MITCO's decision to reduce its general merchandise trading business to focus mainly on petrochemical products.

**8. FINANCIAL INFORMATION (cont'd)**

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Our export sales increased for the year ended 31 March 2009 compared to the prior year mainly due to increased sales volume and price for urea as demand for urea increased from the agricultural industry, which more than offset decreased export sales of MTBE, VCM and paraxylene.

**(b) Cost of revenue**

Our cost of revenue for the year ended 31 March 2009 increased by 15.4% to RM7,500 million compared to RM6,499 million for the year ended 31 March 2008. The increase was principally due to an increase in feedstock cost, energy and utilities cost and staff costs, offset in part by a decrease in product cost incurred by MITCO.

Feedstock cost was our primary cost of revenue, comprising 55.8% of our total cost of revenue for the year ended 31 March 2009. Feedstock cost increased 20.4% to RM4,187 million for the year ended 31 March 2009 compared to RM3,479 million for the year ended 31 March 2008 mainly due to an increase in the price of feedstock paid by some of our operating companies during the year based on new gas tariffs that better reflect market prices, in line with the Government of Malaysia's policy. The increased prices applied to propane and butane used by MTBE Malaysia and methane used by ASEAN Bintulu Fertilizer, PETRONAS Fertilizer and PETRONAS Ammonia.

Energy and utilities cost increased by 75.6% to RM1,013 million for the year ended 31 March 2009 compared to RM577 million for the year ended 31 March 2008 mainly due to the higher gas utility prices based on the new gas tariffs as discussed above.

Staff costs increased by 16.1% to RM367 million for the year ended 31 March 2009 compared to RM316 million for the year ended 31 March 2008. This increase was primarily due to higher performance bonuses and annual salary increases.

The increases in these costs were offset in part by a 33.2% decrease in product cost incurred by MITCO for purposes of resale to customers from RM894 million for the year ended 31 March 2008 to RM597 million for the year ended 31 March 2009. The decrease was due mainly to a decline in the market price of benzene and paraxylene purchased by MITCO.

**(c) Gross profit and gross margin**

As a result of the factors discussed above, our gross profit for the year ended 31 March 2009 decreased by 23.4% to RM4,867 million compared to RM6,356 million for the prior year. Our gross margin decreased to 39.4% for the year ended 31 March 2009, compared to a gross margin of 49.4% for the year ended 31 March 2008.

**8. FINANCIAL INFORMATION (cont'd)**

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**(d) Selling and distribution expenses**

Selling and distribution expenses decreased by 0.6% to RM335 million for the year ended 31 March 2009 from RM337 million for the year ended 31 March 2008 mainly due to a decrease of RM5 million in freight cost resulting from lower sales volume of olefins and polymers by 6.0% compared to the prior year. These decreases were offset in part by higher other expenses of RM6 million mainly due to packing and handling expenses related to fertilisers and methanol products.

**(e) Administration expenses**

Administrative expenses increased by 0.3% to RM320 million for the year ended 31 March 2009 from RM319 million for the prior year. The increase was due to higher materials and supplies expenses from RM3 million for the year ended 31 March 2008 to RM6 million for the year ended 31 March 2009 mainly due to additional health and safety supplies purchased by MTBE Malaysia.

**(f) Other expenses**

Other expenses for the year ended 31 March 2009 increased to RM111 million compared to RM55 million for the year ended 31 March 2008 mainly due to an increase in unrealised foreign exchange losses of RM90 million from RM8 million for the year ended 31 March 2008 mainly as a result of higher unrealised foreign exchange losses on USD denominated loans incurred by Aromatics Malaysia, OPTIMAL Olefins and PETLIN as the USD strengthened against the RM during the year. This increase was offset in part by a decrease of RM25 million in realised foreign exchange losses mainly from MITCO's trade receivables as the USD strengthened against the RM during the year and decrease of RM5 million in losses on disposal of plant, property and equipment by ASEAN Bintulu Fertilizer and OPTIMAL Olefins.

**(g) Other income**

Other income increased by 20.8% to RM342 million for the year ended 31 March 2009 from RM283 million for the year ended 31 March 2008. The increase was mainly due to an increase in realised foreign exchange gains and interest income, offset in part by a decrease in unrealised foreign exchange gains. Realised foreign exchange gains increased by 200.0% from RM18 million for the year ended 31 March 2008 to RM54 million for the year ended 31 March 2009 due mainly to the effect of the strengthening of the USD against the RM on the trade receivables of PETLIN and MITCO. Interest income increased by 10.7% from RM206 million for the year ended 31 March 2008 to RM228 million for the year ended 31 March 2009 due to higher cash balances and higher average interest rates.

**(h) Operating profit**

As a result of the factors discussed above, our operating profit for the year ended 31 March 2009 decreased by 25.1% to RM4,443 million from RM5,928 million in the prior year.



**8. FINANCIAL INFORMATION (cont'd)**

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**(i) Financing costs**

Our financing costs decreased by 29.6% to RM57 million for the year ended 31 March 2009 from RM81 million for the year ended 31 March 2008. This decrease was mainly due to the repayment of a term loan during the year by Aromatics Malaysia and lower balances outstanding in OPTIMAL Olefins' term loan and Al Bai'bithaman Ajil Islamic debt securities.

**(j) Share of profit of Associates and jointly controlled entities**

Our share of profits of Associates and jointly controlled entities decreased by 90.8% from RM273 million for the year ended 31 March 2008 to RM25 million for the year ended 31 March 2009. The decrease was mainly due to BASF PETRONAS Chemicals recording a loss of RM195 million for the year ended 31 March 2009 compared to a net profit of RM275 million for the year ended 31 March 2008. The loss at BASF PETRONAS Chemicals was due mainly to an impairment charge on its property, plant and equipment for its butanediol plant due to weakened demand globally and an increase in gas prices. In addition, BASF PETRONAS Chemicals and Idemitsu SM also recorded lower profits as the global economic crisis led to lower demand for their products.

**(k) Tax expense**

Our tax expense decreased by 35.5% to RM962 million for the year ended 31 March 2009 from RM1,491 million for the year ended 31 March 2008. This decrease was primarily due to lower tax expenses incurred by MTBE Malaysia due to utilisation of the PETRONAS Group tax relief and by lower profits recorded by Ethylene Malaysia for the year ended 31 March 2009 compared to the prior year. The decrease was offset in part by higher tax expenses incurred by ASEAN Bintulu Fertilizer due to higher profits for the year ended 31 March 2009 compared to the prior year. In addition, the reduction in the statutory tax rate from 26.0% to 25.0% further decreased our tax expenses for the year ended 31 March 2009. As a result of these factors, our effective tax rate decreased from 24.4% for the year ended 31 March 2008 to 21.8% for the year ended 31 March 2009.

**(l) PAT**

As a result of the factors discussed above, our PAT decreased by 25.5% to RM3,449 million for the year ended 31 March 2009, compared to RM4,629 million for the year ended 31 March 2008.

## 8. FINANCIAL INFORMATION (cont'd)

### 8.3 LIQUIDITY AND CAPITAL RESOURCES

#### 8.3.1 Working capital

Our principal source of liquidity is cash generated from our operations, cash and cash equivalents, credit extended by our suppliers and borrowings from financial institutions. Following the Listing, we may, from time to time, also rely on additional equity and debt offerings to raise capital. Our ability to rely on these sources of funding could be affected by our results of operations and financial position and by the conditions in the Malaysian and international financial markets.

As at 31 July 2010, we had cash and cash equivalents of RM6,515 million (including deposits with licensed banks of approximately RM6,346 million, but excluding restricted deposits of RM89 million) and total borrowings of RM1,888 million. Our working capital, calculated as current assets minus current liabilities, was RM6,032 million as at 31 July 2010. Taking into consideration our funding requirements for our committed capital expenditure, expected funds to be generated from cash flows from operations, as well as our existing level of cash and cash equivalents and credit sources, our Board believes that we will have adequate working capital for at least 12 months from the date of this Prospectus.

#### 8.3.2 Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended 31 March			4 months ended 31 July	
	2008 (audited)	2009 (audited)	2010 (audited)	2009 (unaudited)	2010 (audited)
	(RM million)				
Net cash generated from/(used in) operating activities	5,631	6,030	4,209	1,065	(187)
Net cash used in investing activities	(1,686)	(941)	(272)	(94)	(165)
Net cash used in financing activities	(3,895)	(2,990)	(3,473)	(282)	(571)
Net change in cash and cash equivalents	50	2,099	464	689	(923)
Decrease in deposits restricted	88	68	66	-	-
Net foreign exchange differences	(25)	21	(13)	(4)	(5)
Cash and cash equivalents at beginning of year/period	4,625	4,738	6,926	6,926	7,443
Cash and cash equivalents at end of year/period	4,738	6,926	7,443	7,611	6,515

Most of our cash and cash equivalents are held in RM. Our Board is of the opinion that there are no legal, financial or economic restrictions on our Subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to availability of distributable reserves, and/or loans or advances.

**8. FINANCIAL INFORMATION (cont'd)****Net cash generated from operating activities**

We had positive cash flows from operating activities for the years ended 31 March 2008, 2009 and 2010 and the 4 months ended 31 July 2009 and negative cash flows from operating activities for the 4 months ended 31 July 2010 mainly due to settlement of prior year accruals for feedstock price revision for MTBE Malaysia, PETRONAS Fertilizer and PETRONAS Methanol during the 4 months ended 31 July 2010 upon finalisation of new price agreement.

Net cash used in operating activities for the 4 months ended 31 July 2010 was RM187 million, with cash receipts from customers of RM4,810 million, which was more than offset by cash paid to suppliers and employees of RM4,991 million and tax payments of RM60 million. The increase in cash receipts from customers compared to the 4 months ended 31 July 2009 was in line with the increase in revenue from RM3,252 million in the 4 months ended 31 July 2009 to RM4,218 million in the 4 months ended 31 July 2010. The increase in cash paid to suppliers was mainly due to settlement of prior year accruals for feedstock price revision amounting to RM1,918 million for MTBE Malaysia, PETRONAS Fertilizer and PETRONAS Methanol during the 4 months ended 31 July 2010.

Net cash generated from operating activities for the year ended 31 March 2010 was RM4,209 million, with cash receipts from customers of RM11,902 million and interest income received of RM177 million, offset in part by cash paid to suppliers and employees of RM7,246 million and tax payments of RM624 million. The decrease in cash receipts from customers compared to the year ended 31 March 2009 was in line with the decrease in revenue from RM12,367 million for the year ended 31 March 2009 to RM12,203 million for the year ended 31 March 2010. The increase in cash paid to suppliers and employees was in line with the increased cost of revenue from RM7,500 million for the year ended 31 March 2009 to RM8,561 million for the year ended 31 March 2010.

Net cash generated from operating activities for the year ended 31 March 2009 was RM6,030 million, with cash receipts from customers of RM13,202 million and interest income received of RM222 million, offset in part by cash paid to suppliers and employees of RM6,364 million and tax payments of RM1,030 million. The increase in cash receipts from customers for the year ended 31 March 2009 was primarily due to an improved average receivables turnover period from 47 days to 40 days, as well as higher prices for our products during the first half of the financial year leading up to peak prices experienced in September 2008. Cash paid to suppliers increased by only RM129 million despite an increase in cost of revenue from RM6,499 million to RM7,500 million primarily because the feedstock price adjustment applicable to ASEAN Bintulu Fertilizer, MTBE Malaysia, PETRONAS Fertilizer and PETRONAS Ammonia was reflected in feedstock cost, but the payments pursuant to such adjustment had not been made as of 31 March 2009 as the new price agreement had not yet been finalised as of such date.

**Net cash used in investing activities**

Net cash used in investing activities for the 4 months ended 31 July 2010 was RM165 million, compared to RM94 million for the 4 months ended 31 July 2009, and consisted primarily of RM172 million of purchase of property, plant and equipment, partially offset by RM5 million of proceeds from disposal of securities.

**8. FINANCIAL INFORMATION (cont'd)**

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Net cash used in investing activities for the year ended 31 March 2010 was RM272 million, compared to RM941 million for the year ended 31 March 2009. The decrease is due primarily to a decrease in cash used for purchase of property, plant and equipment from RM1,239 million for the year ended 31 March 2009 to RM892 million for the year ended 31 March 2010 and a reduction in investments in securities from RM1,102 million for the year ended 31 March 2009 to RM820 million for the year ended 31 March 2010. When Dow Chemical's interest in OPTIMAL Chemicals and OPTIMAL Glycols were acquired in September 2009, total cash of RM484 million that was held by these companies was also acquired.

Net cash used in investing activities for the year ended 31 March 2009 was RM941 million compared to RM1,686 million for the year ended 31 March 2008. The decrease is due primarily to a decrease in cash used for purchase of property, plant and equipment from RM1,476 million for the year ended 31 March 2008 to RM1,239 million for the year ended 31 March 2009 and a change from a net investment in securities of RM264 million for the year ended 31 March 2008 to net proceeds from the sale of securities of RM290 million for the year ended 31 March 2009.

**Net cash used in financing activities**

Net cash used in financing activities for the 4 months ended 31 July 2010 was RM571 million consisting primarily of RM1,815 million of repayment of revolving credits and bankers' acceptance and RM503 million of dividends paid, partially offset by drawdowns of RM1,689 million of revolving credits and bankers' acceptances and RM150 million of PETRONAS loans and advances.

Net cash used in financing activities for the year ended 31 March 2010 was RM3,473 million, resulting primarily from RM2,340 million in dividends paid, RM692 million in redemption of preference shares and RM403 million in net repayments of term loans, Islamic debt facilities and PETRONAS loans and advances.

Net cash used in financing activities for the year ended 31 March 2009 was RM2,990 million, resulting primarily from RM2,780 million in dividends paid and RM335 million in net repayment of term loans, Islamic debt facilities and PETRONAS loans and advances.

Net cash used in financing activities for the year ended 31 March 2008 was RM3,895 million, resulting primarily from RM3,217 million in dividends paid and RM348 million in net repayment of term loans, Islamic debt facilities, advances from related company and PETRONAS loans and advances.

## 8. FINANCIAL INFORMATION (cont'd)

### 8.3.3 Borrowings

Our total outstanding borrowings as at 31 July 2010 and 30 September 2010 were as follows:

Borrowings	As at 31 July 2010	As at 30 September 2010
	(RM million)	
<b>Short-term borrowings</b>		
Secured term loans	72	130
Secured Islamic financing facilities	92	66
Unsecured term loans	4	-
Unsecured revolving credits	231	193
Unsecured bankers' acceptance	45	58
PETRONAS loans and advances	170	-
<b>Total short-term borrowings</b>	<b>614</b>	<b>447</b>
<b>Long-term borrowings</b>		
Secured term loans	249	177
Secured Islamic financing facilities	339	273
Unsecured term loans	22	-
PETRONAS loans and advances	616	2,811
Related company's advance	48	-
<b>Total long-term borrowings</b>	<b>1,274</b>	<b>3,261</b>
<b>Total borrowings</b>	<b>1,888</b>	<b>3,708</b>
Gearing ratio (times) <sup>(1)</sup>	0.10	0.24

**Note:**

(1) The gearing ratio is calculated by dividing total borrowings by total equity.

The table below sets forth, as of 31 July 2010 and 30 September 2010, our outstanding borrowings, excluding PETRONAS loans and advances and related company's advance, by the currency in which they are denominated:

Borrowings	As at 31 July 2010	As at 30 September 2010
	(RM million)	
RM	707	590
USD	347	307
<b>Total borrowings</b>	<b>1,054</b>	<b>897</b>

The table below sets forth the amount of loans and advances from PETRONAS and related company as at 31 July 2010 and 30 September 2010:

Loans and advances from PETRONAS and related company	As at 31 July 2010	As at 30 September 2010
	(RM million)	
RM	786	2,811
USD	48	-
<b>Total loans and advances</b>	<b>834</b>	<b>2,811</b>

For details on our borrowings and PETRONAS loans and advances as at 31 July 2010, refer to Note 14 in the Accountants' Report in Section 9 of this Prospectus.

**8. FINANCIAL INFORMATION (cont'd)**

There has been no default on payments of either interest or principal for any of our borrowings or for any loans or advances from PETRONAS throughout the year ended 31 March 2010 and the 4 months ended 31 July 2010 up to the Latest Practicable Date.

We are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which can materially affect our financial position and results or business operations, or the investment by holders of our securities.

The maturity profile of our borrowings as of the dates indicated is as follows:

Maturity of Borrowings	As at 31 March			As at 31 July	
	2008	2009	2010	2009	2010
	(RM million)				
Within 1 year	555	745	623	692	614
1-2 years	263	69	268	49	296
2-5 years	108	153	456	141	683
More than 5 years	596	364	530	563	295
<b>Total</b>	<b>1,522</b>	<b>1,331</b>	<b>1,877</b>	<b>1,445</b>	<b>1,888</b>

Maturity of Borrowings	As at 30 September 2010
	(RM million)
Within 1 year	447
1-2 years	3,016
2-5 years	245
More than 5 years	-
<b>Total</b>	<b>3,708</b>

The table below set forth the interest rate profile of our financial liabilities as at 31 July 2010 and 30 September 2010:

	As at 31 July 2010	As at 30 September 2010
	(RM million)	
Fixed rate instruments	1,175	660
Floating rate instruments	585	3,048
<b>Total</b>	<b>1,760<sup>(1)</sup></b>	<b>3,708</b>

**Note:**

(1) Excludes non-interest bearing advances from PETRONAS and a related company.

**8.3.4 Capital expenditures**

The petrochemical business is capital intensive. Our ability to maintain and increase our revenues, net income and cash flows depends upon continued capital spending. We incurred capital expenditures of RM1,476 million, RM1,239 million and RM892 million for the years ended 31 March 2008, 2009 and 2010, respectively, and RM224 million and RM172 million for the 4 months ended 31 July 2009 and 2010, respectively. Our major capital expenditures for the periods indicated are as follows:

## 8. FINANCIAL INFORMATION (cont'd)

	Company	Year ended 31 March		4 months ended 31 July	
		2008	2009	2010	2010
<b>Capital expenditures</b>				(RM million)	
<b>Capacity expansion projects</b>					
Mega Methanol plant	PETRONAS Methanol	911	303	122	12
Ethylene Maximisation project ("E-MAX")	Ethylene Malaysia	5	69	36	21
<b>Debottlenecking projects</b>					
PVC plant	Vinyl Chloride (Malaysia)	-	-	5	2
<b>Rejuvenation projects</b>					
Plant 2 Rejuvenation and Debottlenecking ("P2RD") project	PETRONAS Methanol	40	120	122	24
Ammonia and urea plants	ASEAN Bintulu Fertilizer	18	76	93	26
VCM and PVC plants	Vinyl Chloride (Malaysia)	-	-	2	-
<b>Improvements and Modifications</b>					
Parex chamber rectification and Isomar catalyst replacement ("PIREC") upgrading project	Aromatics Malaysia	85	-	-	-
Gas Turbine Cogeneration ("COGEN") project	PETRONAS Fertilizer	9	73	45	6
Charge Gas Compressor ("CGC") improvement project	Ethylene Malaysia	56	29	15	10
Ethane reliability improvement	OPTIMAL Olefins	2	25	41	11
Methanol, ammonia and urea plants	PETRONAS Fertilizer	14	20	31	12
Turbine speed governing and antisurge upgrade	PETRONAS Methanol	-	-	6	-
Rejuvenation of transformer	Ethylene Malaysia	-	-	8	-
Transfer line exchangers	OPTIMAL Olefins	21	-	-	-
Quench System improvement	OPTIMAL Olefins	7	6	7	-
Distribution control system application workstation and work process upgrading	OPTIMAL Olefins	-	3	2	-
Offloading station improvements	OPTIMAL Olefins	1	6	2	1
High pressure scrubber upgrade	ASEAN Bintulu Fertilizer	11	-	-	-
VCM plant modification project	Vinyl Chloride (Malaysia)	4	-	-	2
<b>Plant turnarounds and major parts replacements</b>		168	292	193	56
<b>Other capital expenditures</b>		124	217	162	41
<b>Total capital expenditures</b>		<u>1,476</u>	<u>1,239</u>	<u>892</u>	<u>224</u>
					<u>172</u>

**8. FINANCIAL INFORMATION** (cont'd)

The majority of our capital expenditures during the past 3 years have primarily been related to expansion, rejuvenation and improvements to our production facilities. Our significant projects during the past 3 years and the 4 months ended 31 July 2010 include:

- (i) **Mega Methanol Plant Project:** construction of a new methanol plant in Labuan with a capacity of 5,000 mt per day to enhance our methanol production capabilities in addition to the capacity of 2,000 mt per day from the existing methanol plant 1 in Labuan. The plant was commissioned in January 2009 and operations commenced in May 2009.
- (ii) **E-MAX Project:** project to maximise fresh ethane feed intake from design of 69 mt per hour (equivalent to 1,200 mt per day) of ethylene to 74 mt per hour (equivalent to 1,272 mt per day) of ethylene.
- (iii) **P2RD Project:** enhancement of capacity and reliability of methanol plant 1 in Labuan through the upgrade, modification or installation of major equipment, including an oxygen preheater, a pressure swing absorber, a booster turbine/compressor, as well as high pressure and medium pressure steam drums. The project aims to increase the design nameplate capacity for methanol plant 1 in Labuan by 15% to 2,300 mt per day and enhance plant reliability to 98%.
- (iv) **ASEAN Bintulu Fertilizer Plant Rejuvenation Project:** rejuvenation of the plant by redesigning, replacing or rectifying equipment and systems to improve the plant's reliability and to extend the plant's life by another 20 years. The rejuvenation is expected to enable production at full nameplate capacity of 1,350 mt per day of ammonia and 2,250 mt per day of urea.
- (v) **PiREC Upgrading Project:** replacement of parex unit adsorbent with improved Adsorbent Chamber Internal design and catalyst replacement to meet the ISOMAR I-300 Catalyst Life Guarantee. The project relieved the load constraint of the parex unit and improved the integrity of internal chambers.
- (vi) **COGEN Project:** alternative source of electricity & steam to the petrochemical complex in Gurun by supplying electricity to the production facilities during normal operating condition with TNB running in parallel to provide standby power for any fluctuations of power or gas turbine generator outages. The COGEN Plant is fueled by natural gas from the existing PETRONAS' PGU pipeline. The exhaust steam from gas turbines and the COGEN ancillary facilities are integrated with an existing plant steam header system and electrical and instrumentation systems, respectively.
- (vii) **CGC Project:** increase of CGC efficiency to a period of 5 years, from the current period of 3 years, as well as increasing the ethylene rundown (or liquefaction) capacity to sustain the plant load during low off take by pipeline customers.
- (viii) **Ethane Reliability Improvement Project:** project to enhance the reliability of OPTIMAL Olefins' ethane supply and minimise interruption to the olefins plant operations.

Our planned capital expenditures for the year ending 31 March 2011 are RM699 million which we intend to use primarily for plant turnarounds and rejuvenation, as well as for plant modification and improvement projects.



## 8. FINANCIAL INFORMATION (cont'd)

Our actual capital expenditures may vary from projected amounts due to various factors, including changes in market conditions, unplanned cost overruns, our ability to generate sufficient cash flows from operations, our ability to obtain adequate financing for these planned capital expenditures, demand for our products and the state of the Malaysian and the global economy. In addition, our planned capital expenditures do not include any expenditures for acquisitions of potential companies or assets that we may evaluate from time to time.

We expect to meet our capital expenditure requirements through our cash and cash equivalents on hand, cash generated from future operations and financing activities. Our ability to obtain external financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Malaysian economy and the markets for our products, the cost of financing and the condition of financial markets, the issuance of relevant government approvals and other project risks associated with the development of infrastructure in Malaysia and the continuing willingness of banks to provide new loans as we pay down existing debt. For more information, refer to Section 5 of this Prospectus on the Risk Factor – Our development and operational plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties.

There have not been any material divestitures undertaken by us for the years ended 31 March 2008, 2009 and 2010 and the 4 months ended 31 July 2010.

### 8.3.5 Material commitments

We had capital commitments of RM776 million and RM898 million at 31 July 2010 and 30 September 2010 respectively. These commitments consisted of the following:

Material commitments	As at 31 July 2010	As at 30 September 2010
	(RM million)	
Property, plant and equipment:		
Commitments approved and contracted for	145	290
Commitments approved and not contracted for	631	608
Total material commitments	776	898

The majority of our capital commitments are related to plant rejuvenation and other improvements to our production facilities.

Except as disclosed above, as at the Latest Practicable Date, we are not aware of any material capital commitments incurred or known to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position.

We expect to meet our material commitments through our cash and cash equivalents on hand, cash generated from future operations and financing activities.

## 8. FINANCIAL INFORMATION (cont'd)

The following table sets forth our contractual obligations as at 31 March 2010:

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
	(RM million)				
Long-term debt obligations	625	843	84	418	1,970
Operating lease obligations	5	10	2	19	36
Capital commitments (approved and contracted for)	175	22	3	-	200
Other long-term obligations	4	2	-	-	6
<b>Total contractual obligations</b>	<b>809</b>	<b>877</b>	<b>89</b>	<b>437</b>	<b>2,212</b>

### 8.3.6 Contingent liabilities and material litigation

As at the Latest Practicable Date, our Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on our results of operations or financial condition.

As at the Latest Practicable Date, we are not engaged in any material litigation or arbitration, either as plaintiff or defendant, and we are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial or business position.

### 8.3.7 Key financial ratios

Our key financial ratios based on the combined financial statements for the periods indicated are as follows:

	As at 31 March			As at 31 July	
	2008	2009	2010	2009	2010
	(RM million, except as otherwise indicated)				
Trade receivables <sup>(1)</sup>	1,705	1,038	1,895	1,048	1,379
Trade receivables turnover period (days) <sup>(2)</sup>	47	40	44	39	47
Trade payables <sup>(3)</sup>	1,210	2,500	4,377	2,596	2,363
Trade payables turnover period (days) <sup>(4)</sup>	41	42	44	37	51
Trade inventory <sup>(5)</sup>	329	304	674	344	573
Trade inventory turnover period (days) <sup>(6)</sup>	17	15	20	16	26
Current ratio <sup>(7)</sup>	3.16	2.55	2.04	2.55	2.73

**Notes:**

- (1) Trade receivables reflect outstanding amount receivable from customers for sale of goods and services, before impairment of trade receivables. Included in trade receivables are amounts due from Associates and related companies that are trade in nature.
- (2) Average trade receivables over total revenue.
- (3) Trade payables reflect outstanding amount payable to suppliers and vendors for purchase of goods and services. Included in trade payables are amounts due to PETRONAS and related companies that are trade in nature.

**8. FINANCIAL INFORMATION (cont'd)**

- (4) Average trade payables over total cost of revenue. Excludes one-off accruals made mainly on feedstock price revision for ASEAN Bintulu Fertilizer, PETRONAS Fertilizer, MTBE Malaysia, PETRONAS Ammonia and PETRONAS Methanol. This is reflective of our business moving forward. Including these accruals, the trade payable turnover period would have been 56 days, 90 days and 147 days as at 31 March 2008, 2009 and 2010, respectively, and 130 days and 137 days as at 31 July 2009 and 2010, respectively.
- (5) Trade inventory reflects finished products and raw materials.
- (6) Average trade inventory over purchases. Purchases reflect trade inventory closing balance less trade inventory opening balance plus cost of revenue.
- (7) Decrease in current ratio at 31 March 2009 compared to 31 March 2008 was primarily due to higher trade and other payables as a result of accruals made on RM1,634 million mainly due to PETRONAS as provision for feedstock price revision and due to lower trade receivables as a result of lower demand and decrease in sales price of our products during the economic downturn. Decrease in current ratio as at 31 March 2010 compared to as at 31 March 2009 was primarily due to higher trade and other payables resulting from accumulated total amounts due to PETRONAS of RM3,157 million mainly for provision on feedstock price revision, offset by higher trade and other receivables balances as a result of acquisition of Dow Chemical's interests in OPTIMAL Chemicals and higher sales of certain products. Increase in current ratio at 31 July 2010 compared to 31 March 2010 was mainly due to lower trade and other payables as a result of settlement of our prior year accrued payables for feedstock price revision.

Our normal credit period given to our trade debtors generally range up to 90 days. Our trade receivables turnover period has remained generally consistent at approximately 40 days throughout the financial periods under review, which is within our normal credit terms.

The aging analysis for trade receivables as at 31 July 2010 is as follows:

	Current	Past Due				Total
		1-30 Days	31-60 Days	61-90 Days	More than 90 days	
Trade receivables <sup>(1)</sup> (RM million)	1,287	66	9	1	15	1,378
% of total trade Receivables	93	5	1	-	1	100

**Note:**

- (1) After impairment of trade receivables.

We believe that adequate allowance has been made for doubtful debts based on historical experience and the balance of the trade receivables are recoverable in full.

As at the Latest Practicable Date, 95% or RM1,307 million of the trade receivables of RM1,378 million has been collected. Any non-trade receivables owing by related parties that were not incurred in the ordinary course of business will be settled prior to Listing.

Our normal credit period given by our trade creditors generally range up to 60 days. Our trade payables turnover period increased from 41 days for the year ended 31 March 2008 to 51 days for the 4 months ended 31 July 2010. The increase was mainly due to payables to PETRONAS amounting to RM250 million being past due for more than 90 days as at 31 July 2010. This amount will be converted to loans and advances from PETRONAS as part of the Reorganisation.

**8. FINANCIAL INFORMATION (cont'd)**

The aging analysis for trade payables as at 31 July 2010 is as follows:

	Current	Past Due			Total	
		1-30 Days	31-60 Days	61-90 Days		More than 90 days
Trade payables (RM million)	2,084	11	-	-	268 <sup>(1)</sup>	2,363
% of total trade Payables	88%	1%	0%	0%	11%	100%

**Note:**

- (1) Includes amount due to PETRONAS which will be converted to PETRONAS loans and advances.

Our trade inventory mainly comprised finished goods. The turnover period for trade inventory has increased from 17 days for the year ended 31 March 2008 to 26 days for the 4 months ended 31 July 2010 mainly due to higher level of aromatics inventories. There was an unplanned shutdown at Aromatics Malaysia's plant in June 2010, and because of the anticipated effect of the shutdown on production levels, Aromatics Malaysia had decided to defer certain shipments of aromatics products it had originally planned to make in July 2010. We had cleared the excess inventories pursuant to the above in August 2010.

**8.3.8 Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements which are reasonably likely to have a current or future material effect on results of operations or our financial condition.

**8.3.9 Financial risk management**

We are exposed to certain financial risks that arise in our normal course of business. We manage these risks in accordance with the PETRONAS Group Risk Management Framework and Guidelines, which is followed by companies in the PETRONAS Group, including us. The objective of our risk management is to ensure that various risks that arise from our operations are measured, monitored and understood by our management. As part of our risk management strategy, we may from time to time use conventional derivative financial instruments within the parameters set by the PETRONAS Group Risk Management Framework and Guidelines. We do not enter into derivative financial instruments for speculative purposes.

**(i) Credit risk**

We have no significant concentration of credit risk. Credit risks are managed by our individual companies in accordance with the PETRONAS Group Risk Management Framework and Guideline. Credit risks of trade receivables are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting our dealings to creditworthy business partners. For further information about our customers, refer to Section 7.11 of this Prospectus on Business – Sales and Marketing. Trade receivables are monitored on an on-going basis through our management reporting procedures. We place our cash and cash equivalents with a number of creditworthy financial institutions. Our policy limits the concentration of financial exposure to any single financial institution.

**8. FINANCIAL INFORMATION (cont'd)**

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We conduct our investing activities in accordance with the Investment Guideline of the PETRONAS Group, which defines the parameters of our investment activities. Accordingly, our investing activities are aimed to achieve our investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters. In accordance with the guideline, investments are only allowed with highly credit rated counterparties. The treasury function undertakes a credit risk management activity similar to the credit management and monitoring procedures for receivables.

(ii) Interest rate risk

As at the date of this Prospectus, our exposure to interest rate risk arises predominantly from liabilities and fund investments linked to variable interest rates. As and when the need arises, we enter into interest rate swaps to hedge against fluctuations in interest rates. Our interest rate exposure is monitored and managed by the PETRONAS Group Treasury division pursuant to a Treasury Management Service Agreements between the PETRONAS Group Treasury and each of our subsidiaries based on the Group Risk Management Framework and Guidelines. At 31 July 2010, our total floating rate financial liabilities were RM585 million or 33.2% of our total interest bearing financial liabilities.

(iii) Foreign currency risk

For the year ended 31 March 2010 and the 4 months ended 31 July 2010, approximately 57% and 59%, respectively, of our revenue was denominated in USD, with the remaining portion denominated mainly in RM. We aim to effectively manage exposures to foreign currency that may arise from our operating activities within a framework of controls that minimise the impact of foreign currency fluctuations. We use foreign currency forward contracts from time to time to manage our foreign exchange exposures arising from known material foreign currency denominated commitments as and when they arise. Gains and losses on foreign currency forward contracts entered into as hedges of foreign currency monetary items are recognised in the financial statements when the exchange differences of the hedged monetary items are recognised in the financial statements.

(iv) Commodity price risk

Substantially all of our products and raw materials are commodities whose prices fluctuate based on market supply and demand conditions, and our profitability and product margins tend to fluctuate with changes in such prices. We attempt to manage our exposure to such fluctuations by selling a diversified portfolio of petrochemical products. We have a high degree of integration in our operations which also assists us in managing the effects of such fluctuation. We currently do not use derivatives or other hedging devices with respect to feedstock or other materials or products.

## 8. FINANCIAL INFORMATION (cont'd)

### 8.4 CAPITALISATION AND INDEBTEDNESS

The table below sets out our cash and cash equivalents as well as capitalisation and indebtedness based on the audited combined financial statements of our Group as at 31 July 2010 and as adjusted for the following which are assumed to have occurred on 31 July 2010:

- (i) the effects of the subdivision of PCG Shares and the Reorganisation; and
- (iii) the net proceeds from the Public Issue and intended use of the proceeds from the Public Issue.

The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at 31 July 2010 and is provided for information purposes only. The total indebtedness of our Group is not guaranteed by any third party.

	As at 31 July 2010 (audited) <sup>(1)</sup>	Pro Forma I After subdivision of Shares and Reorganisation (unaudited) (RM million)	Pro Forma II After Pro Forma I and Public Issue and utilisation of proceeds (unaudited)
<b>Cash and cash equivalents<sup>(2)</sup></b>	6,604	3,912 <sup>(3)</sup>	7,351
<b>Indebtedness</b>			
<b>Short-term borrowings</b>			
<b><u>Secured</u></b>			
Term loans	72	72	72
Islamic financing facilities	92	92	92
<b><u>Unsecured</u></b>			
Term loans	4	4	4
Revolving credits	231	231	231
Bankers' acceptance	45	45	45
PETRONAS loans and advances	170	-(4)	-
<b>Total short-term borrowings</b>	<b>614</b>	<b>444<sup>(3)</sup></b>	<b>444</b>
<b>Long-term borrowings</b>			
<b><u>Secured</u></b>			
Term loans	249	249	249
Islamic financing facilities	339	339	339
<b><u>Unsecured</u></b>			
Term loans	22	22	22
PETRONAS loans and advances	616	2,920 <sup>(4)</sup>	2,920
Related company's advance	48	-(4)	-
<b>Total long-term borrowings</b>	<b>1,274</b>	<b>3,530<sup>(3)</sup></b>	<b>3,530</b>
<b>Total indebtedness<sup>(5)</sup></b>	<b>1,888</b>	<b>3,974</b>	<b>3,974</b>

**8. FINANCIAL INFORMATION (cont'd)**

	As at 31 July 2010 (audited) <sup>(1)</sup>	Pro Forma I	Pro Forma II
		After subdivision of Shares and Reorganisation (unaudited) (RM million)	After Pro Forma I and Public Issue and utilisation of proceeds (unaudited)
Total equity/capitalisation	19,136	15,532 <sup>(4)</sup>	18,971
Total capitalisation and indebtedness	21,024	19,506	22,945
Gearing ratio (times) <sup>(6)</sup>	0.10	0.26	0.21

**Notes:**

- (1) The selected financial information is extracted from our audited combined financial statements as at 31 July 2010.
- (2) Cash and cash equivalents include restricted deposits of RM89 million that is required to be maintained as part of the covenants for the secured USD term loans and Islamic financing facilities. On 27 September 2010, we had made a cash payment of RM1,029 million to PETRONAS. This amount relates to settlement of trade payables in relation to gas price revision for ASEAN Bintulu Fertilizer, which had not been reflected in the cash and cash equivalents above.
- (3) Refer to Pro Forma Consolidated Statements of Financial Position as set out in section 8.9 of this Prospectus.
- (4) The movement in the balances are mainly due to, amongst others, the distributions before Listing, acquisition of liabilities of our certain subsidiaries from PETRONAS and PETRONAS International as well as new loan facility from PETRONAS under the Reorganisation.
- (5) Total indebtedness includes short-term borrowings and long-term borrowings.
- (6) The gearing ratio is calculated by dividing total borrowings over total equity.

**8.5 GOVERNMENT / ECONOMIC / FISCAL / MONETARY POLICIES**

Our production facilities are based in Malaysia, and sales of our products are mainly to Malaysia and other countries in the Asia-Pacific region. As a result, changes in political, economic, fiscal and monetary conditions in Malaysia, and the global markets generally, could materially or adversely affect our business, financial condition, results of operations and future growth. For a more detailed description of risks relating to government, economic, fiscal or monetary policies or factors that may materially affect our operations, refer to Section 5 of this Prospectus on Risk Factors.

**8.6 SEASONALITY**

We do not experience any material fluctuations in our business due to seasonal factors.

**8.7 INFLATION**

We do not believe that inflation has a material impact on our business, financial condition or result of operations. However, any increase in inflation rate beyond levels experienced in the past may affect our operations and performance if we are unable to fully offset higher costs through increases in prices of our products.

**8. FINANCIAL INFORMATION (cont'd)**

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**8.8 PROSPECTS**

The results of our operations for the year ending 31 March 2011 have been and are expected to continue to be primarily influenced by the following factors, in addition to the factors included in Risk Factors and Significant Factors Affecting Our Results of Operations in Section 5 and Section 8.2.2 of this Prospectus respectively:

- Our ability to maintain our market share and grow our sales;
- Malaysian and global economy and expectations on recovery;
- Management of operating costs; and
- Impact of the incurrence of indebtedness in connection with the Reorganisation, including as a result of any change in interest charges on the indebtedness.

Except as disclosed above and in Risk Factors and Significant Factors Affecting Our Results of Operations, to the best of our Board's knowledge and belief, there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on our financial condition and results of operations.

Subject to the factors described in this Section 8.8 of this Prospectus, our Board expect the results of our operations for the financial year ending 31 March 2011 to be satisfactory.

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## 8. FINANCIAL INFORMATION (cont'd)

## 8.9 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(Prepared for inclusion in this Prospectus)*

**KPMG Desa Megat & Co. (Firm No. AF 0759)**  
 Chartered Accountants  
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The Board of Directors  
 PETRONAS Chemicals Group Berhad  
 (formerly known as Kuantan Terminals Sdn. Bhd.)  
 Tower 1, Petronas Twin Towers  
 Kuala Lumpur City Centre  
 50088 Kuala Lumpur

21 October 2010

Dear Sirs

**PETRONAS Chemicals Group Berhad (formerly known as Kuantan Terminals Sdn. Bhd.)  
 Reporting accountants' letter on the pro forma consolidated statements of financial position  
 as at 31 July 2010**

We report on the pro forma consolidated statements of financial position of PETRONAS Chemicals Group Berhad (formerly known as Kuantan Terminals Sdn. Bhd.) ("PCG" or "the Company") and its subsidiaries (collectively defined as "PCG Group") as at 31 July 2010 which have been prepared for illustrative purposes only, for which the directors are solely responsible, as set out in Appendix I (which we have stamped for the purpose of identification).

The pro forma consolidated statements of financial position, together with the notes thereon incorporate the subdivision of shares, reorganisation and Initial Public Offering ("IPO") as disclosed in Note 1 of the Appendix I.

The pro forma consolidated statements of financial position, because of their nature, do not give a true picture of the effects of the subdivision of shares, reorganisation and IPO on PCG's actual financial position had the transactions or events occurred as at 31 July 2010. Further, such financial information from the pro forma consolidated statements of financial position does not purport to predict PCG's financial position.

**Directors' Responsibilities**

It is the responsibility solely of the Board of Directors of the Company to prepare the pro forma consolidated statements of financial position in accordance with the requirement of the Securities Commission's *Prospectus Guidelines* in respect of an initial public offering ("Guidelines").

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion as required by the Guidelines, as to the proper compilation of the pro forma consolidated statements of financial position. In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma consolidated statements of financial position, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

## 8. FINANCIAL INFORMATION (cont'd)



*PETRONAS Chemicals Group Berhad*  
*Reporting accountants' letter on the pro forma consolidated*  
*statements of financial position*  
*as at 31 July 2010*

We conducted our work in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, including the adjustments to the Company's accounting policies, nor of the pro forma assumptions stated in the notes to the pro forma consolidated statements of financial position, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the pro forma adjustments and discussing the pro forma consolidated statements of financial position with the Company's management. We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma consolidated statements of financial position have been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company and materially in compliance with Financial Reporting Standards in Malaysia.

#### Opinion

In our opinion,

- the pro forma consolidated statements of financial position have been properly prepared in accordance with the basis stated in Note 1 of Appendix I using financial statements prepared in accordance with Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies of the Company and, where appropriate, of its subsidiaries and the basis of consolidation as described in Note 2 of Appendix I;
- each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

#### Other Matters

The pro forma consolidated statements of financial position have been prepared for inclusion in the Prospectus to be dated 1 November 2010 in connection with the listing of the shares of PCG on the Main Market of Bursa Securities and should not be relied upon for any other purposes.

Yours faithfully

**KPMG Desa Megat & Co.**  
 Firm No. AF 0759  
 Chartered Accountants

**Abdullah Abu Samah**  
 Approval Number: 2013/06/12(J)  
 Chartered Accountant

## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD ("PCG")  
(FORMERLY KNOWN AS KUANTAN TERMINALS SDN. BHD.)  
AND ITS SUBSIDIARIES ("PCG GROUP")**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 JULY 2010**

The pro forma consolidated statements of financial position of PCG as at 31 July 2010 as set out below have been prepared solely for illustrative purposes only and to show the effects of the transactions referred to in the notes:

	Note	Audited As at 31 July 2010* RM Mil	Unaudited Pro forma I After Subdivision of shares and Reorganisation RM Mil	Unaudited Pro forma II After Proforma I and Initial Public Offering RM Mil
<b>ASSETS</b>				
Property, plant and equipment		-	13,018	13,018
Investment in associates		-	918	918
Investment in jointly controlled entity		-	76	76
Intangible assets	a	-	1,863	1,863
Long term receivables		-	30	30
Deferred tax assets		-	494	494
<b>TOTAL NON-CURRENT ASSETS</b>		-	16,399	16,399
Trade and other inventories		-	1,258	1,258
Trade and other receivables		-	1,608	1,608
Tax recoverable		-	188	188
Fund and other investments		-	20	20
Cash and cash equivalents	b	2	3,912	7,351
<b>TOTAL CURRENT ASSETS</b>		2	6,986	10,425
<b>TOTAL ASSETS</b>		2	23,385	26,824
<b>EQUITY</b>				
Share capital	c	1	730	800
Merger relief	d	-	7,176	7,176
Share premium	e	-	4,561	7,946
Merger reserve	f	-	(7,319)	(7,319)
Retained earnings	g	1	8,913	8,897
Other reserves	h	-	148	148
Reserves attributable to shareholders of the Company		2	14,209	17,648
Minority shareholders' interests	i	-	1,323	1,323
<b>TOTAL EQUITY</b>		2	15,532	18,971

i



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD ("PCG")  
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AS AT 31 JULY 2010**

	Note	Audited As at 31 July 2010* RM Mil	Unaudited Pro forma I After Subdivision of shares and Reorganisation RM Mil	Unaudited Pro forma II After Pro forma I and Initial Public Offering RM Mil
<b>LIABILITIES</b>				
Borrowings	j(i)	-	3,530	3,530
Deferred tax liabilities		-	1,148	1,148
Other long term liabilities and provisions		-	28	28
<b>TOTAL NON-CURRENT LIABILITIES</b>		-	4,706	4,706
Trade and other payables	k	-	2,465	2,465
Borrowings	j(ii)	-	444	444
Taxation		-	238	238
<b>TOTAL CURRENT LIABILITIES</b>		-	3,147	3,147
<b>TOTAL LIABILITIES</b>		-	7,853	7,853
<b>TOTAL EQUITY AND LIABILITIES</b>		2	23,385	26,824
No. of PCG ordinary shares in issue (Mil)		0.001	7,300	8,000
Net Assets ("NA")** (RM Mil)		2	14,209	17,648
Net Tangible Assets ("NTA")*** (RM Mil)		2	12,346	15,785
NA per share (RM)		2,000	1.95	2.21
NTA per share (RM)		2,000	1.69	1.97

\* Company level

\*\* NA represents total equity less minority shareholders' interests

\*\*\* NTA is computed as NA less intangible assets



## 8. FINANCIAL INFORMATION (cont'd)

*Appendix I*

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 JULY 2010**

**1. Basis of preparation**

The pro forma consolidated statements of financial position as at 31 July 2010 of the PCG Group are prepared based on the audited financial statements of PCG and the audited combined financial statements of the PCG Group of Petroliam Nasional Berhad (“PETRONAS”) for the period ended 31 July 2010. The pro forma effect arising from the acquisition of Polyethylene Malaysia Sdn. Bhd. (“Polyethylene Malaysia”) as discussed in Pro forma I below has been determined based on the management accounts of Polyethylene Malaysia for the period ended 31 July 2010.

The accounting policies used in the preparation of the pro forma consolidated statements of financial position are consistent with the accounting policies adopted and disclosed by PCG in its audited financial statements and, where appropriate, of its subsidiaries and the basis of consolidation as described in Note 2 below. These accounting policies are in compliance with Financial Reporting Standards in Malaysia.

The pro forma consolidated statements of financial position are for illustrative purposes only and to incorporate the following transactions as if they occurred on 31 July 2010:

**Pro forma I – Subdivision of shares and Reorganisation*****Subdivision of shares***

Share subdivision of every 1 existing ordinary share of RM1,000 each in PCG to 10,000 of ordinary shares of RM0.10 each. Following the subdivision of shares, the number of issued and paid up share capital of PCG will increase from 1,000 ordinary shares of RM1,000.00 each to 10,000,000 ordinary shares of RM0.10 each.

***Reorganisation*****(i) Distributions before listing**

Between 1 August 2010 and 1 September 2010, PETRONAS Fertilizer (Kedah) Sdn. Bhd. (“PETRONAS Fertilizer”), Malaysia International Trading Corporation Sdn. Bhd. (“MITCO”), MTBE Malaysia Sdn. Bhd. (“MTBE Malaysia”), PETRONAS Ammonia Sdn. Bhd. (“PETRONAS Ammonia”), Ethylene Malaysia Sdn. Bhd. (“Ethylene Malaysia”) and OPTIMAL Olefins (Malaysia) Sdn. Bhd. (“OPTIMAL Olefins”) declared dividends of an aggregate amount of RM2,744.8 million, all of which was fully paid out of cash generated from operations of these subsidiaries by 30 September 2010.



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD ("PCG")  
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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
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## 1. Basis of preparation (continued)

## Pro forma I – Subdivision of shares and Reorganisation (continued)

*Reorganisation (continued)*

## (i) Distributions before listing (continued)

The details of the dividends are as follows:

<u>Subsidiaries</u>	<u>Dividends declared</u> RM million
PETRONAS Fertilizer	150.0
MITCO	150.0
MTBE Malaysia	735.0
PETRONAS Ammonia	200.0
Ethylene Malaysia	1,000.0
OPTIMAL Olefins	509.8
	<u>2,744.8</u>

## (ii) Acquisition of subsidiaries, associates and jointly controlled entity

- (a) Between 30 August 2010 to 20 September 2010, the Company acquired from PETRONAS, PETRONAS Maritime Services Sdn. Bhd. ("PETRONAS Maritime") and PETRONAS International Corporation Company Limited ("PETRONAS International") shares in the following companies, for a total purchase consideration of RM12,975.8 million, of which RM12,465.9 million was satisfied by the issue of 7,290 million ordinary shares of RM0.10 to PETRONAS and RM509.9 million constituted an amount payable by the Company to PETRONAS Maritime and PETRONAS International ("PETRONAS Cash Consideration") respectively as follows:

<u>Acquiree</u>	<sup>(1)</sup> Interest <u>Acquired</u> %	<u>No. of ordinary shares issued</u>	<u>Purchase consideration</u> RM million
<b>Companies acquired from PETRONAS:</b>			
MITCO	100.00	34,184,714	58.5
MTBE Malaysia	100.00	779,447,798	1,332.9
OPTIMAL Chemicals (Malaysia) Sdn. Bhd. ("OPTIMAL Chemicals (Malaysia)")	100.00	633,189,042	1,082.8
Vinyl Chloride (Malaysia) Sdn. Bhd. ("Vinyl Chloride (Malaysia)")	100.00	12,711,163	21.7



## 8. FINANCIAL INFORMATION (cont'd)

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## 1. Basis of preparation (continued)

## Pro forma I – Subdivision of shares and Reorganisation (continued)

*Reorganisation (continued)*

## (ii) Acquisition of subsidiaries, associates and jointly controlled entity (continued)

<u>Acquiree</u>	<sup>(1)</sup> Interest acquired %	No. of ordinary shares issued	Purchase consideration RM million
<b>Companies acquired from PETRONAS:</b>			
PETRONAS Methanol (Labuan) Sdn. Bhd. ("PETRONAS Methanol")	100.00	1,304,225,231	2,230.2
OPTIMAL Glycols (Malaysia) Sdn. Bhd. ("OPTIMAL Glycols (Malaysia)")	100.00	576,523,913	985.9
Polypropylene Malaysia Sdn. Bhd.	100.00	84,347,246	144.2
PETRONAS Ammonia	100.00	388,661,207	664.6
PETRONAS Fertilizer	100.00	644,003,341	1,101.2
OPTIMAL Olefins	88.00	884,418,442	1,512.4
Ethylene Malaysia	72.50	269,380,282	460.6
Aromatics Malaysia Sdn. Bhd. ("Aromatics Malaysia")	70.00	707,981,804	1,210.6
ASEAN Bintulu Fertilizer Sdn. Bhd. ("ASEAN Bintulu Fertilizer")	63.47	335,885,897	574.4
PETLIN (Malaysia) Sdn. Bhd. ("PETLIN")	60.00	259,708,568	444.1
Polyethylene Malaysia	40.00	13,442,165	23.0



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 JULY 2010**

## 1. Basis of preparation (continued)

## Pro forma I – Subdivision of shares and Reorganisation (continued)

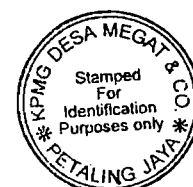
*Reorganisation (continued)*

## (ii) Acquisition of subsidiaries, associates and jointly controlled entity (continued)

<u>Acquiree</u>	<sup>(1)</sup> Interest acquired %	No. of ordinary shares issued	Purchase consideration RM million
<b>Companies acquired from PETRONAS:</b>			
BASF PETRONAS Chemicals Sdn. Bhd.	40.00	235,011,099	401.9
Kertih Terminals Sdn. Bhd.	40.00	52,192,853	89.2
BP PETRONAS Acetyls Sdn. Bhd.	30.00	50,766,980	86.8
Idemitsu SM (Malaysia) Sdn. Bhd.	30.00	23,918,255	40.9
<b>Total</b>		<b><u>7,290,000,000</u></b>	<b><u>12,465.9</u></b>

*Note:*

<sup>(1)</sup> Including interest in the existing Redeemable Preference Shares (“RPS”) held in Aromatics Malaysia, OPTIMAL Chemicals (Malaysia), OPTIMAL Glycols (Malaysia), Vinyl Chloride (Malaysia) and PETLIN.





## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
(FORMERLY KNOWN AS KUANTAN TERMINALS SDN. BHD.)  
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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 JULY 2010**

## 1. Basis of preparation (continued)

## Pro forma I – Subdivision of shares and Reorganisation (continued)

*Reorganisation (continued)*

## (ii) Acquisition of subsidiaries, associates and jointly controlled entity (continued)

<u>Acquiree</u>	<u>Interest acquired</u> %	<u>Purchase consideration</u> RM million
<b>Company acquired from PETRONAS Maritime:</b>		
Kertih Port Sdn. Bhd. (“Kertih Port”)	100.00	416.9
<b>Company acquired from PETRONAS International:</b>		
Phu My Plastics and Chemicals Company Limited (“Phu My”)	93.11	93.0 <sup>(1)</sup>
<b>Total</b>		<b>509.9</b>

*Note:*

- <sup>(1)</sup> Represent RM equivalent of USD29.9 million, based on the transacted exchange rate of RM3.1080:USD1 on 20 September 2010, being the relevant completion date.

The purchase consideration was determined based on the higher of cost of investment and share of pro forma net assets of each of the subsidiaries, associates and jointly controlled entity (after taking into consideration, the distributions before listing, disposal of Malaysian International Trading Corporation (Japan) Sdn. Bhd. and redemption of RPS by certain subsidiaries and associate).

- (b) On 2 September 2010, PETRONAS acquired shares in the following companies and a loan from BP Asia Pacific Malaysia Sdn Bhd to Polyethylene Malaysia for a total purchase consideration of USD325.6 million (equivalent to RM1,018.1 million) (“BP Cash Consideration”):



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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## 1. Basis of preparation (continued)

## Pro forma I – Subdivision of shares and Reorganisation (continued)

*Reorganisation (continued)*

## (ii) Acquisition of subsidiaries, associates and jointly controlled entity (continued)

Acquiree	Interest acquired	Purchase consideration	
	%	USD million	Equivalent RM million <sup>(1)</sup>
Ethylene Malaysia	12.79	216.0	675.3
Polyethylene Malaysia	60.00	109.6 <sup>(2)</sup>	342.8
<b>Total</b>		<b>325.6</b>	<b>1,018.1</b>

*Notes:*

<sup>(1)</sup> Based on the transacted exchange rate of RM3.1265:USD1 on 2 September 2010, being the relevant completion date.

<sup>(2)</sup> Includes acquisition of loans from BP Asia Pacific Malaysia Sdn Bhd to Polyethylene Malaysia of USD53.16 million.

Arising thereof, PETRONAS nominated the Company as the registered owner of the shares in Polyethylene Malaysia and Ethylene Malaysia and the Company will settle the BP Cash Consideration.

The share purchase agreement between PETRONAS and BP Chemicals Investment Limited (“BP Chemicals”) dated 27 August 2010 (“SPA”) also allowed PETRONAS to acquire an additional stake in Ethylene Malaysia of up to 2.21% (“Additional Stake”) from BP Chemicals for a cash consideration of up to USD37.1 million (“Additional BP Cash Consideration”), subject to the other shareholder of Ethylene Malaysia, namely Idemitsu Kosan Co., Ltd. (“Idemitsu Kosan”) not exercising its pre-emption right to acquire the whole or any part of the Additional Stake. On 8 October 2010, PETRONAS acquired the entire Additional Stake from BP Chemicals for USD37.1 million (approximately RM115.0 million based on the transacted exchange rate of RM3.0990:USD1 on 8 October 2010, being the relevant completion date) as Idemitsu Kosan did not exercise its pre-emption right to acquire the Additional Stake. Accordingly, PETRONAS nominated the Company as the registered owner of the Additional Stake. The BP Cash Consideration and Additional BP Cash Consideration were funded by a loan from PETRONAS.



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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AS AT 31 JULY 2010**

## 1. Basis of preparation (continued)

## Pro forma I – Subdivision of shares and Reorganisation (continued)

*Reorganisation (continued)*

## (ii) Acquisition of subsidiaries, associates and jointly controlled entity (continued)

The purchase consideration was determined on a willing buyer willing seller basis, after taking into consideration the enterprise value over earnings before interest expenses, taxation, depreciation and amortisation (“EBITDA”) multiples, price-earnings multiples and discounted cash flows of Ethylene Malaysia and Polyethylene Malaysia.

## (iii) Acquisition of certain liabilities of the subsidiaries

Pursuant to the Acquisition of subsidiaries, associates and jointly controlled entity, the Company acquired liabilities (comprising shareholder loans and intercompany balances owing by the subsidiaries to PETRONAS and PETRONAS International) from PETRONAS and PETRONAS International for an aggregate purchase consideration of approximately RM1,277.4 million, representing an amount payable by Company to PETRONAS and PETRONAS International (“Debts Acquisition Payable”) in the following manner:

Subsidiaries/Associates	Debts owing/ Amount due to	
	PETRONAS RM million	PETRONAS International RM million
PETRONAS Methanol	350.0	-
Vinyl Chloride (Malaysia)	700.9	-
Kertih Port	38.4	-
Polyethylene Malaysia	110.4 <sup>(1)</sup>	-
Phu My	-	77.7 <sup>(2)</sup>
<b>Total</b>	<b>1,199.7</b>	<b>77.7</b>

*Notes:*

<sup>(1)</sup> Represent RM equivalent of amount owing of USD35.4 million, based on the transacted exchange rate of RM3.1145:USD1 on 6 September 2010, being the relevant completion date.

<sup>(2)</sup> Represent RM equivalent of amount owing of USD25.0 million, based on the transacted exchange rate of RM3.1080:USD1 on 20 September 2010, being the relevant completion date.



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
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## 1. Basis of preparation (continued)

**Pro forma I – Subdivision of shares and Reorganisation (continued)***Reorganisation (continued)*

## (iii) Acquisition of certain liabilities of the subsidiaries (continued)

The rationale for the Debts Acquisition Payable of the subsidiaries is to consolidate under the Company all the loans and advances that existed between the subsidiaries and PETRONAS or PETRONAS International since the Company will be the immediate holding company of the subsidiaries after the consummation of the Reorganisation.

The Company had on 6 September 2010, obtained a loan from PETRONAS of up to RM4.3 billion ("Loan Facility") to fund the PETRONAS Cash Consideration, BP Cash Consideration, Additional BP Cash Consideration, Debts Acquisition Payable and other general corporate expenses. The Company had drawn down RM2,920.4 million. The Loan Facility is for a tenure of 2 years from the date of first drawdown of the Loan Facility with an interest rate calculated at 6-month Kuala Lumpur Inter-bank Offered Rate plus 0.70% per annum. The said interest shall be accrued and become payable by the Company to PETRONAS based on scheduled repayments.

As at the date of this report, the Reorganisation has been completed.

**Pro forma II – Initial Public Offering ("IPO")**

Pro forma II is prepared after incorporating transactions as described in Pro forma I and the IPO.

The Company's IPO will consist of the following:

- (i) Offer for sale of up to 1,780 million existing shares (the "Offer Shares") comprising:
- Institutional Offering of up to 1,486.98 million Offer Shares to Malaysian and foreign institutional and selected investors including Bumiputera investors approved by the Ministry of International Trade and Industry at the institutional price (other than cornerstone investors) to be determined by way of bookbuilding (the "Institutional Price");
  - retail offering of up to 293.02 million Offer Shares to the Malaysian public, eligible directors of PCG and PETRONAS, eligible employees of PCG Group, PETRONAS and selected subsidiaries of PETRONAS, eligible customers and others who have contributed to the success of PCG Group at the retail price of RM5.05 per share ("Retail Price"), payable in full upon application and subject to refund of the difference, in the event that the final retail price is less than the Retail Price; and
- (ii) Public issue of 700 million new shares to Malaysian and foreign institutional and selected investors at the Institutional Price.

X



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD ("PCG")  
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## 1. Basis of preparation (continued)

**Pro forma II – Initial Public Offering ("IPO") (continued)**

In the preparation of pro forma consolidated statements of financial position, it is assumed that the Institutional Price is equal to the Retail Price.

*Listing and quotation*

Upon completion of the IPO, PCG will seek the listing of and quotation for its entire issued and paid up share capital of RM800 million comprising 8,000 million shares on the Main Market of Bursa Malaysia Securities Berhad.

The proceeds from the public issue of new ordinary shares will be utilised as follows:

	<b>RM Mil</b>
Expansion of business and synergistic growth acquisitions	2,239
Working capital requirements and general corporate purposes	1,200
Estimated listing expenses	96
	3,535
	3,535

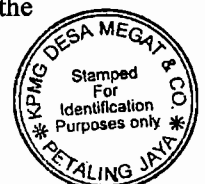
## 2. Basis of consolidation

In the preparation of the pro forma consolidated statements of financial position, the following basis of consolidation has been applied.

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Common controlled subsidiaries that were acquired from PETRONAS under the Reorganisation are consolidated using the pooling-of-interests method of accounting except for the acquisition of the additional shares of Polyethylene Malaysia from BP Chemicals is using the purchase method of accounting.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the date that common control was established. The assets and liabilities acquired are measured at the carrying amounts recognised in the consolidated statement of financial position of PETRONAS. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within PCG Group.



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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## 2. Basis of consolidation (continued)

*(i) Subsidiaries*

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the pro forma consolidated statements of financial position, separately from equity attributable to the equity shareholders of the Company.

*(ii) Associates*

Associates are entities in which PCG Group has significant influence, but not control, over the financial and operating policies.

Investments in associates which were acquired from PETRONAS under the Reorganisation are accounted for in the pro forma consolidated statements of financial position using the equity method less any impairment losses. The investments in the associates are recognised at the carrying amount recognised in the consolidated statement of financial position of PETRONAS. The pro forma consolidated statements of financial position include PCG Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of PCG Group, from the date that PETRONAS attains significant influence.

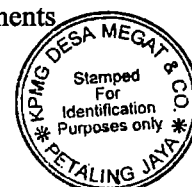
*(iii) Jointly controlled entity*

PCG Group has interests in joint venture which is jointly controlled entity. The jointly controlled entity was acquired from PETRONAS under the Reorganisation. A joint venture is a contractual arrangement whereby PCG Group and other parties undertake an economic activity that is subject to joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in jointly controlled entity is accounted for in the pro forma consolidated statements of financial position using the equity method of accounting as described in note (ii) above.

*(iv) Transactions eliminated*

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the pro forma consolidated statements of financial position.



## 8. FINANCIAL INFORMATION (cont'd)

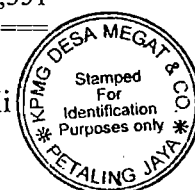
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## 3. Effect on the pro forma consolidated statements of financial position

	RM Mil
<b>a. Movement in intangible assets</b>	
Balance at 31 July 2010	-
Effects of Pro forma I – Reorganisation	
- Common control transfer of subsidiaries from PETRONAS to PCG	1,210
- Acquisition of Polyethylene Malaysia and Ethylene Malaysia*	653
	1,863
Pro forma I and Pro forma II	1,863
* Goodwill amounting to RM653 million is arrived at based on carrying values of identifiable assets, liabilities and contingent liabilities of Polyethylene Malaysia and Ethylene Malaysia. The fair values of the identifiable assets, liabilities and contingent liabilities will be determined upon completion of the purchase price allocation exercise.	
<b>b. Movement in cash and cash equivalent</b>	
Balance at 31 July 2010	2
Effects of Pro forma I – Reorganisation	
- Common control transfer of subsidiaries from PETRONAS to PCG	6,602
- Distributions before listing	(2,745)
- Acquisition of Polyethylene Malaysia	53
- Loan Facility from PETRONAS	2,920
- Settlement of PETRONAS Cash Consideration	(510)
- Settlement of BP Cash Consideration	(1,018)
- Settlement of Additional BP Consideration	(115)
- Settlement of Debts Acquisition Payable	(1,277)
	3,912
Pro forma I	3,912
Effects of Pro forma II- IPO	
- Issuance of new ordinary shares of RM0.10 each	3,535
- Estimated listing expenses to be borne by the Company	(96)
	7,351
Pro forma II	7,351



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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## 3. Effect on the pro forma consolidated statements of financial position (continued)

	RM Mil
<b>c. Movement in ordinary share capital</b>	
Balance at 31 July 2010	1
Effects of Pro forma I – Reorganisation	
- Issuance of 7,290 million ordinary shares of RM0.10 each for the acquisition of subsidiaries, associates and jointly controlled entity	729
Pro forma I	730
Effects of Pro forma II – IPO	
- Issuance of 700 million new ordinary shares of RM0.10 each	70
Pro forma II	800
<b>d. Movement in merger relief</b>	
Balance at 31 July 2010	-
Effects of Pro forma I – Reorganisation	
- Issuance of 4,457 million ordinary shares of RM0.10 each at a premium of approximately RM1.61 per ordinary share for acquisition of wholly owned subsidiaries	7,176
Pro forma I and Pro forma II	7,176





## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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## 3. Effect on the pro forma consolidated statements of financial position (continued)

	RM Mil
<b>e. Movement in share premium</b>	
Balance at 31 July 2010	-
Effects of Pro forma I – Reorganisation	
- Issuance of 2,833 million ordinary share at a premium of approximately RM1.61 per ordinary share for the acquisition of subsidiaries, associates and jointly controlled entity	4,561
Pro forma I	4,561
Effects of Pro forma II – IPO	
- Issuance of 700 million new ordinary shares at a premium of RM4.95 per ordinary share	3,465
- Estimated listing expenses set-off against share premium	(80)
Pro forma II	7,946
<b>f. Movement in merger reserve</b>	
Balance at 31 July 2010	-
Effects of Pro forma I – Reorganisation	
- Reserve arising from common control transfer of subsidiaries, associates and jointly control entity from PETRONAS to PCG	(7,319)
Pro forma I and Pro forma II	(7,319)



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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## 3. Effect on the pro forma consolidated statements of financial position (continued)

	RM Mil
<b>g. Movement in retained earnings</b>	
Balance at 31 July 2010	1
Effects of Pro forma I – Reorganisation	
- Common control transfer of subsidiaries, associates and jointly control entity from PETRONAS to PCG	11,306
- Distributions before listing	(2,409)
- Foreign exchange gain on acquisition of certain liabilities of the subsidiaries	15
Pro forma I	8,913
Effects of Pro forma II – IPO	
- Estimated listing expenses	(16)
Pro forma II	8,897
<b>h. Movement in other reserves</b>	
Balance at 31 July 2010	-
Effects of Pro forma I – Reorganisation	
- Common control transfer of subsidiaries, associates and jointly control entity from PETRONAS to PCG	231
- Adjustment arising from settlement of Debts Acquisition Payable	(83)
Pro forma I and Pro forma II	148



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
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## 3. Effect on the pro forma consolidated statements of financial position (continued)

	RM Mil
<b>i. Movement in minority shareholders' interest</b>	
Balance at 31 July 2010	-
Effects of Pro forma I – Reorganisation	
- Common control transfer of subsidiaries from PETRONAS to PCG	1,940
- Distributions before listing	(336)
- Acquisition of Ethylene Malaysia	(281)
	-
Pro forma I and Pro forma II	1,323
<b>j. Movement in borrowings</b>	
<b>(i) Non current</b>	
Balance at 31 July 2010	-
Effects of Pro forma I – Reorganisation	
- Common control transfer of subsidiaries from PETRONAS to PCG net of inter-company borrowings	1,259
- Acquisition of Polyethylene Malaysia	125
- Loan Facility from PETRONAS	2,920
- Settlement of Debts Acquisition Payable	(774)
	-
Pro forma I and Pro forma II	3,530
<b>(ii) Current</b>	
Balance at 31 July 2010	-
Effects of Pro forma I – Reorganisation	
- Common control transfer of subsidiaries from PETRONAS to PCG net of inter-company borrowings	614
- Settlement of Debts Acquisition Payable	(170)
	-
Pro forma I and Pro forma II	444



## 8. FINANCIAL INFORMATION (cont'd)

## Appendix I

**PETRONAS CHEMICALS GROUP BERHAD (“PCG”)  
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## 3. Effect on the pro forma consolidated statements of financial position (continued)

RM Mil

## k. Movement in trade and other payables

Balance at 31 July 2010	-
Effects of Pro forma I – Reorganisation	
- Common control transfer of subsidiaries from PETRONAS to PCG	2,626
- Acquisition of Polyethylene Malaysia	89
- Settlement of Debts Acquisition Payable	(250)
	<hr/>
Pro forma I and Pro forma II	<u>2,465</u>



## 8. FINANCIAL INFORMATION *(cont'd)*

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### 8.10 DIVIDEND POLICY

The declaration and recommendation of interim dividends and final dividends are subject to the discretion of our Board and any final dividend for a particular year is subject to the approval of our shareholders. It is our Board's intention to pay dividends to our shareholders in the future to allow them to participate in our profits. However, our ability to pay dividends or make other distributions to our shareholders will depend upon a number of factors, including our earnings, capital requirements, general financial condition, our distributable reserves and other factors considered relevant by our Board.

Our Board intends to adopt a policy of active capital management. We propose to pay dividends out of cash generated from our operations after setting aside necessary funding for capital expenditure and working capital needs. As part of this policy, our Company targets a payout ratio of around 50% of our consolidated PAT under Malaysian GAAP in each calendar year, beginning financial year ending 31 March 2011, subject to the confirmation of our Board and to any applicable law, licence and contractual obligations and provided that such distribution would not be detrimental to our cash needs or to any plans approved by our Board. Investors should note that this dividend policy merely describes our Company's present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including reduction or non-declaration thereof) at our Board's discretion.

As our Company is a holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we receive from our Subsidiaries. The payment of dividends or other distributions by our Subsidiaries will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective boards of directors deem relevant. Dividends may only be paid out of distributable reserves. In addition, covenants in loan agreements, if any, for our Subsidiaries may limit their ability to declare or pay cash dividends.

**No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.**

## 9. ACCOUNTANTS' REPORT

*(Prepared for inclusion in this Prospectus)*



**KPMG Desa Megat & Co. (Firm No. AF 0759)**  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388  
Fax +60 (3) 7721 3399  
Internet www.kpmg.com.my

The Board of Directors  
PETRONAS Chemicals Group Berhad  
(formerly known as Kuantan Terminals Sdn. Bhd.)  
Tower 1, PETRONAS Twin Towers  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
Malaysia

21 October 2010

Dear Sirs

### Accountants' Report

#### 1. Introduction

This report has been prepared by Messrs KPMG Desa Megat & Co., an approved company auditor, for inclusion in the Prospectus of PETRONAS Chemicals Group Berhad (formerly known as Kuantan Terminals Sdn. Bhd.) ("PCG" or "the Company") to be dated 1 November 2010 in connection with the listing and quotation of the shares of PCG on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied upon for any other purposes.

#### 2. General information

##### 2.1 Background

PCG was incorporated in Malaysia in accordance with the Companies Act, 1965 as a private limited liability company under the name Kuantan Terminals Sdn. Bhd. on 25 March 1998 and changed its name to PETRONAS Chemicals Group Sdn. Bhd. on 26 October 2009. It was converted into a public limited liability company on 27 August 2010 and changed its name to PETRONAS Chemicals Group Berhad. The principal activity of the Company is to undertake investment holding activities.

##### 2.2 Share capital

PCG was incorporated with an authorised share capital of RM24,000,000 comprising 24,000 ordinary shares of RM1,000 each and 1 special rights redeemable preference share ("Special RPS") of RM1,000 each. On 29 April 2009, PCG increased its authorised share capital from RM24,001,000 to RM1,000,000,000 by creation of 776,000 ordinary shares of RM1,000 each and 199,999 redeemable preference shares ("RPS") of RM1,000 each. On 11 September 2009, PCG reclassified its existing 1 authorised Special RPS of RM1,000 each to 1 authorised RPS of RM1,000 each.

As part of the listing of and quotation for the entire issued and paid up share capital of PCG on the Main Market of Bursa Securities after completion of the reorganisation exercise ("Reorganisation") and Initial Public Offering ("IPO") as set out in Section 3, the Company has increased its authorised share capital to RM1,500,000,000 comprising 15,000,000,000 ordinary shares of RM 0.10 each.

KPMG Desa Megat & Co., a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
Accountants' Report  
21 October 2010

## 2.2 Share capital (continued)

Detail of the changes in PCG's issued and fully paid up share capital since its date of incorporation up to the date of this report are as follows:

Date of Allotment/Redemption	Number of Ordinary Shares/Special RPS Issued/(Redeemed)	Par Value Per Share RM	Purpose	Issued and fully paid up share capital		
				Ordinary Shares RM	Special RPS RM	Total (Cumulative) RM
29.09.1998	400	1,000	Issued for cash as subscribers' shares	400,000	-	400,000
29.09.1998	1	1,000	Issued for cash as subscribers' shares	-	1,000	401,000
27.02.1999	600	1,000	Issued for cash as working capital	1,000,000	-	1,001,000
11.09.2009	(1)	1,000	Redeemed out of profits	-	(1,000)	1,000,000
27.08.2010	-	0.10	Subdivision of shares (N1)	-	-	1,000,000
30.08.2010	2,094,131,397	0.10	Acquisition of OPTIMAL Chemicals (Malaysia) Sdn. Bhd., OPTIMAL Glycols (Malaysia) Sdn. Bhd. and OPTIMAL Olefins (Malaysia) Sdn. Bhd. under the Reorganisation	209,413,139.70	-	210,413,139.70
06.09.2010	5,195,868,603	0.10	Acquisition of subsidiaries, associate and jointly controlled entities under the Reorganisation (save for the acquisition of the companies acquired on 30.08.2010 set out above)	519,586,860.30	-	730,000,000

N1 - Share subdivision of every 1 existing ordinary share of RM1,000 each in PCG to 10,000 ordinary shares of RM0.10 each. Following the subdivision of shares, the number of issued and paid up share capital of PCG will increase from 1,000 ordinary shares of RM1.00 each to 10,000,000 ordinary shares of RM0.10 each.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## 3. Reorganisation and IPO

## 3.1 Reorganisation

The Company undertook the following Reorganisation exercise (which does not form part of the IPO as described in paragraph 3.2):

## (i) Distributions before listing and redemption of RPS

Between 1 August 2010 and 1 September 2010, PETRONAS Fertilizer (Kedah) Sdn. Bhd. ("PETRONAS Fertilizer"), Malaysia International Trading Corporation Sdn. Bhd. ("MITCO"), MTBE Malaysia Sdn. Bhd. ("MTBE Malaysia"), PETRONAS Ammonia Sdn. Bhd. ("PETRONAS Ammonia"), Ethylene Malaysia Sdn. Bhd. ("Ethylene Malaysia") and OPTIMAL Olefins (Malaysia) Sdn. Bhd. ("OPTIMAL Olefins") declared dividends of an aggregate amount of RM2,744.8 million, all of which was fully paid out of cash generated from operations of these subsidiaries by 30 September 2010.

The details of the dividends are as follows:

Subsidiaries	Dividends declared RM million
PETRONAS Fertilizer	150.0
MITCO	150.0
MTBE Malaysia	735.0
PETRONAS Ammonia	200.0
Ethylene Malaysia	1,000.0
OPTIMAL Olefins	509.8
	2,744.8

In addition, the RPS in MITCO and PETLIN (Malaysia) Sdn. Bhd. ("PETLIN") were redeemed in cash by 31 July 2010 at an aggregate redemption price of RM150.0 million and RM80.1 million respectively.

## (ii) Disposal of MITCO (Japan) Sdn. Bhd. ("MITCO (Japan)")

On 31 July 2010, Petroliam Nasional Berhad ("PETRONAS") and MITCO entered into a sale and purchase agreement for the disposal of MITCO (Japan) for a total cash consideration of RM210.0 million, which was equivalent to MITCO's cost of investment in MITCO (Japan) as at 31 March 2010. The disposal of MITCO (Japan) was completed on 31 July 2010.

## (iii) Acquisition of subsidiaries, associates and jointly controlled entity

- (a) Between 30 August 2010 to 20 September 2010, the Company acquired from PETRONAS, PETRONAS Maritime Services Sdn. Bhd. ("PETRONAS Maritime") and PETRONAS International Corporation Company Limited ("PETRONAS International") shares in the following companies, for a total purchase consideration of RM12,975.8 million, of which RM12,465.9 million was satisfied by the issue of 7,290 million ordinary shares of RM0.10 to PETRONAS and RM509.9 million constituted an amount payable by the Company to PETRONAS Maritime and PETRONAS International ("PETRONAS Cash Consideration") respectively as follows:



## 9. ACCOUNTANTS' REPORT (cont'd)



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## 3. Reorganisation and IPO (continued)

## 3.1 Reorganisation (continued)

## (iii) Acquisition of subsidiaries, associates and jointly controlled entity (continued)

Acquiree	(1)Interest Acquired %	No. of ordinary shares issued	Purchase Consideration RM million
<b>Companies acquired from PETRONAS:</b>			
MITCO	100.00	34,184,714	58.5
MTBE Malaysia	100.00	779,447,798	1,332.9
OPTIMAL Chemicals (Malaysia) Sdn. Bhd. ("OPTIMAL Chemicals")	100.00	633,189,042	1,082.8
Vinyl Chloride (Malaysia) Sdn. Bhd. ("Vinyl Chloride (Malaysia)")	100.00	12,711,163	21.7
PETRONAS Methanol (Labuan) Sdn. Bhd. ("PETRONAS Methanol")	100.00	1,304,225,231	2,230.2
OPTIMAL Glycols (Malaysia) Sdn. Bhd. ("OPTIMAL Glycols")	100.00	576,523,913	985.9
Polypropylene Malaysia Sdn. Bhd.	100.00	84,347,246	144.2
PETRONAS Ammonia	100.00	388,661,207	664.6
PETRONAS Fertilizer	100.00	644,003,341	1,101.2
OPTIMAL Olefins	88.00	884,418,442	1,512.4
Ethylene Malaysia	72.50	269,380,282	460.6
Aromatics Malaysia Sdn. Bhd. ("Aromatics Malaysia")	70.00	707,981,804	1,210.6
ASEAN Bintulu Fertilizer Sdn. Bhd. ("ASEAN Bintulu Fertilizer")	63.47	335,885,897	574.4
PETLIN	60.00	259,708,568	444.1
Polyethylene Malaysia	40.00	13,442,165	23.0
BASF PETRONAS Chemicals Sdn. Bhd.	40.00	235,011,099	401.9
Kertih Terminals Sdn. Bhd.	40.00	52,192,853	89.2
BP PETRONAS Acetyls Sdn. Bhd.	30.00	50,766,980	86.8
Idemitsu SM (Malaysia) Sdn. Bhd.	30.00	23,918,255	40.9
<b>Total</b>		<b>7,290,000,000</b>	<b>12,465.9</b>

**Note:**

(1) Including interest in the existing RPS held in Aromatics Malaysia, OPTIMAL Chemicals, OPTIMAL Glycols, Vinyl Chloride (Malaysia) and PETLIN.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## 3. Reorganisation and IPO (continued)

## 3.1 Reorganisation (continued)

## (iii) Acquisition of subsidiaries, associates and jointly controlled entity (continued)

Acquiree	Interest acquired	Purchase consideration
	%	RM million
<b>Company acquired from PETRONAS Maritime:</b>		
Kertih Port Sdn. Bhd. ("Kertih Port")	100.00	416.9
<b>Company acquired from PETRONAS International:</b>		
Phu My Plastics and Chemicals Company Limited ("Phu My")	93.11	93.0 <sup>(1)</sup>
<b>Total</b>		<b>509.9</b>

**Note:**

<sup>(1)</sup> Represent RM equivalent of USD29.9 million, based on the transacted exchange rate of RM3.1080:USD1 on 20 September 2010, being the relevant completion date.

The purchase consideration was determined based on the higher of cost of investment and share of pro forma net assets of each of the subsidiaries, associates and jointly controlled entity (after taking into consideration, the distributions before listing, disposal of MITCO (Japan) and redemption of RPS by certain subsidiaries and associate).

## 9. ACCOUNTANTS' REPORT (cont'd)



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## 3. Reorganisation and IPO (continued)

## 3.1 Reorganisation (continued)

(iii) Acquisition of subsidiaries, associates and jointly controlled entity (continued)

- (b) On 2 September 2010, PETRONAS acquired shares in the following companies and a loan from BP Asia Pacific Malaysia Sdn Bhd to Polyethylene Malaysia for a total purchase consideration of USD325.6 million (equivalent to RM1,018.1 million) ("BP Cash Consideration"):

Acquiree	Interest acquired %	Purchase consideration	
		USD million	Equivalent RM million <sup>(1)</sup>
Ethylene Malaysia	12.79	216.0	675.3
Polyethylene Malaysia	60.00	109.6 <sup>(2)</sup>	342.8
<b>Total</b>		<b>325.6</b>	<b>1,018.1</b>

**Notes:**

<sup>(1)</sup> Based on the transacted exchange rate of RM3.1265:USD1 on 2 September 2010, being the relevant completion date.

<sup>(2)</sup> Includes acquisition of loans from BP Asia Pacific Malaysia Sdn Bhd to Polyethylene Malaysia of USD53.16 million.

Arising thereof, PETRONAS nominated the Company as the registered owner of the shares in Polyethylene Malaysia and Ethylene Malaysia and the Company will settle the BP Cash Consideration.

The share purchase agreement between PETRONAS and BP Chemicals Investment Limited ("BP Chemicals") dated 27 August 2010 ("SPA") also allowed PETRONAS to acquire an additional stake in Ethylene Malaysia of up to 2.21% ("Additional Stake") from BP Chemicals for a cash consideration of up to USD37.1 million ("Additional BP Cash Consideration"), subject to the other shareholder of Ethylene Malaysia, namely Idemitsu Kosan Co., Ltd. ("Idemitsu Kosan") not exercising its pre-emption right to acquire the whole or any part of the Additional Stake. On 8 October 2010, PETRONAS acquired the entire Additional Stake from BP Chemicals for USD37.1 million (approximately RM115.0 million based on the transacted exchange rate of RM3.0990:USD1 on 8 October 2010, being the relevant completion date) as Idemitsu Kosan did not exercise its pre-emption right to acquire the Additional Stake. Accordingly, PETRONAS nominated the Company as the registered owner of the Additional Stake. The BP Cash Consideration and Additional BP Cash Consideration were funded by a loan from PETRONAS.

The purchase consideration was determined on a willing buyer willing seller basis, after taking into consideration the enterprise value over earnings before interest expenses, taxation, depreciation and amortisation ("EBITDA") multiples, price-earnings multiples and discounted cash flows of Ethylene Malaysia and Polyethylene Malaysia.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## 3. Reorganisation and IPO (continued)

## 3.1 Reorganisation (continued)

## (iv) Acquisition of certain liabilities of the subsidiaries

Pursuant to the acquisition of subsidiaries, associates and jointly controlled entity, the Company acquired liabilities (comprising shareholder loans and intercompany balances owing by the subsidiaries to PETRONAS and PETRONAS International) from PETRONAS and PETRONAS International for an aggregate purchase consideration of approximately RM1,277.4 million, representing an amount payable by Company to PETRONAS and PETRONAS International ("Debts Acquisition Payable") in the following manner:

Subsidiaries/Associates	Debts owing / Amount due to	
	PETRONAS RM million	PETRONAS International RM million
PETRONAS Methanol	350.0	-
Vinyl Chloride (Malaysia)	700.9	-
Kertih Port	38.4	-
Polyethylene Malaysia	110.4 <sup>(1)</sup>	-
Phu My	-	77.7 <sup>(2)</sup>
<b>Total</b>	<b>1,199.7</b>	<b>77.7</b>

**Notes:**

<sup>(1)</sup> Represent RM equivalent of amount owing of USD35.4 million, based on the transacted exchange rate of RM3.1145:USD1 on 6 September 2010, being the relevant completion date.

<sup>(2)</sup> Represent RM equivalent of amount owing of USD25.0 million, based on the transacted exchange rate of RM3.1080:USD1 on 20 September 2010, being the relevant completion date.

The rationale for the Debts Acquisition Payable of the subsidiaries is to consolidate under the Company all the loans and advances that existed between the subsidiaries and PETRONAS or PETRONAS International since the Company will be the immediate holding company of the subsidiaries after the consummation of the Reorganisation.

The Company had on 6 September 2010, obtained a loan from PETRONAS of up to RM4.3 billion ("Loan Facility") to fund the PETRONAS Cash Consideration, BP Cash Consideration, Additional BP Cash Consideration, Debts Acquisition Payable and other general corporate expenses. The Loan Facility is for a tenure of 2 years from the date of first drawdown of the Loan Facility with an interest rate calculated at 6-month Kuala Lumpur Inter-bank Offered Rate plus 0.70% per annum. The said interest shall be accrued and become payable by the Company to PETRONAS based on scheduled repayments.

As at the date of this report, the Reorganisation has been completed.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## 3. Reorganisation and IPO (continued)

## 3.1 Reorganisation (continued)

## 3.2 IPO

The Company's IPO will consist of the following:

- (i) Offer for sale of up to 1,780 million existing shares (the "Offer Shares") comprising:
- Institutional Offering of up to 1,486.98 million Offer Shares to Malaysian and foreign institutional and selected investors including Bumiputera investors approved by the Ministry of International Trade and Industry at the institutional price (other than cornerstone investors) to be determined by way of bookbuilding (the "Institutional Price");
  - retail offering of up to 293.02 million Offer Shares to the Malaysian public, eligible directors of PCG and PETRONAS, eligible employees of PCG and its subsidiaries ("PCG Group"), PETRONAS and selected subsidiaries of PETRONAS, eligible customers and others who have contributed to the success of PCG Group at the retail price of RM5.05 per share ("Retail Price"), payable in full upon application and subject to refund of the difference, in the event that the final retail price is less than the Retail Price; and
- (ii) Public issue of 700 million new shares to Malaysian and foreign institutional and selected investors at the Institutional Price.

**Listing and quotation**

Upon completion of the IPO, PCG will seek the listing of and quotation for its entire issued and paid up share capital of RM800 million comprising 8,000 million shares on the Main Market of Bursa Malaysia Securities Berhad.

The proceeds from the public issue of new ordinary shares will be utilised as follows:

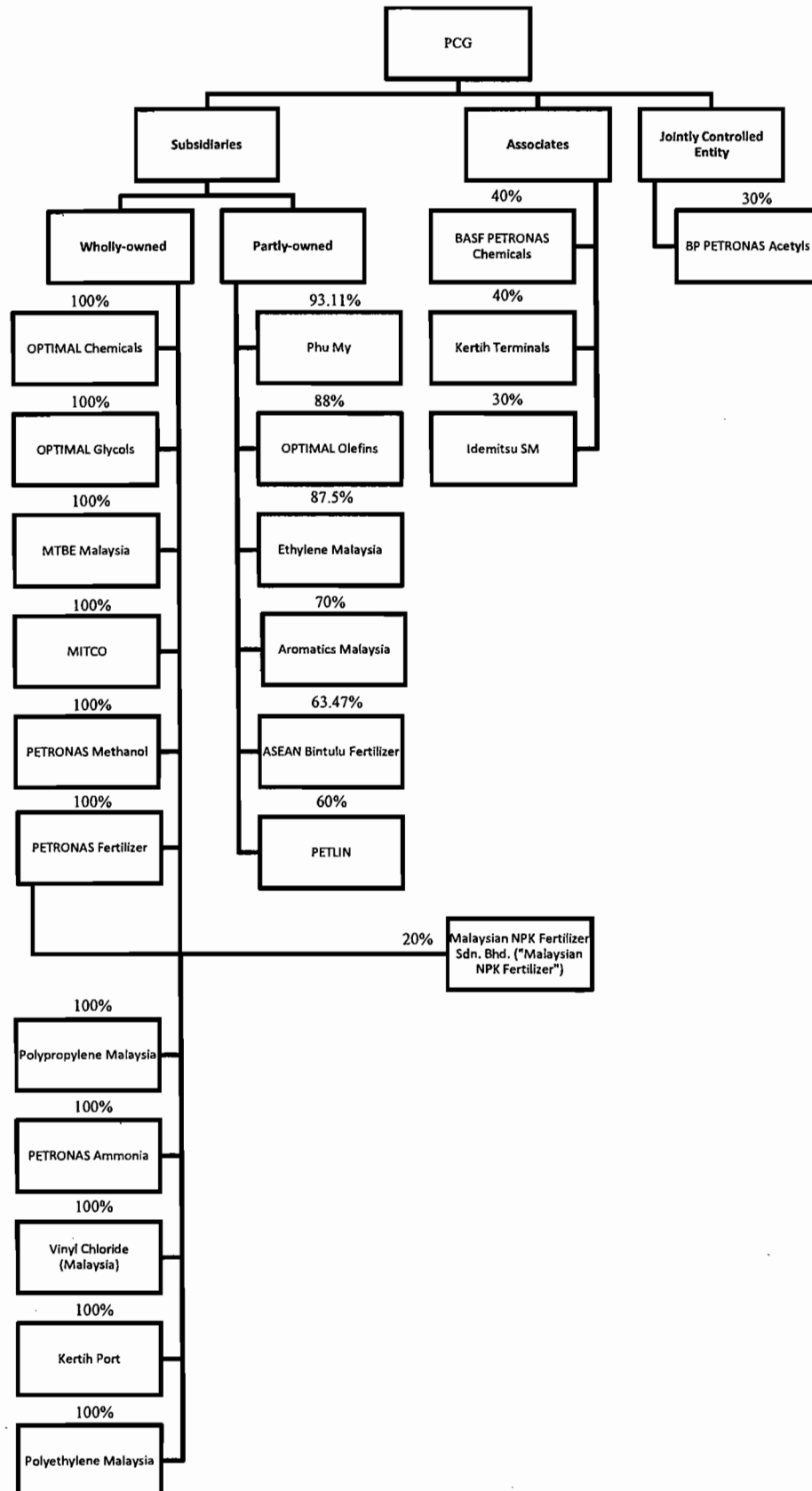
	RM Mil
Expansion of business and synergistic growth acquisitions	2,239
Working capital requirements and general corporate purposes	1,200
Estimated listing expenses	96
	3,535

9. ACCOUNTANTS' REPORT (cont'd)



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3.3 Group structure after the Reorganisation



## 9. ACCOUNTANTS' REPORT (cont'd)



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## 4. Audited financial statements and auditors

The financial year end of PCG, its subsidiaries, associates and jointly controlled entity is 31 March except for BASF PETRONAS Chemicals, Idemitsu SM, Malaysia NPK Fertilizer, and BP PETRONAS Acetyls which have financial year ends of 31 December.

We are the auditors of all the subsidiaries, associates and jointly controlled entity for the financial years ended 31 March 2008 to 31 March 2010 except for the following entities which are audited by a firm other than KPMG Desa Megat & Co.:

Entity's name	Financial year ended	Auditors
Phu My	31 March 2008	Deloitte Vietnam Company Limited 11 <sup>th</sup> Floor, Saigon Trade Center 37 Ton Duc Thang Street, District 1 Ho Chi Minh City, Vietnam
	31 March 2009 and 31 March 2010	KPMG Limited (affiliate to KPMG Desa Megat & Co) 10 <sup>th</sup> Floor, Sun Wah Tower 115 Nguyen Hue Street District 1, Ho Chi Minh City The Socialist Republic of Vietnam
PETRONAS Ammonia Vinyl Chloride (Malaysia) Kertih Port PETRONAS Fertilizer PETLIN	31 March 2008, 31 March 2009 and 31 March 2010	Hanafiah Raslan & Mohamad Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur, Malaysia
OPTIMAL Chemicals OPTIMAL Glycols OPTIMAL Olefins BP PETRONAS Acetyls	31 March 2008, 31 March 2009 and 31 March 2010	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur, Malaysia
Malaysian NPK Fertilizer	31 December 2007, 31 December 2008 and 31 December 2009	SJ Grant Thornton Level 11, Faber Imperial Court Jalan Sultan Ismail 50774 Kuala Lumpur, Malaysia
Idemitsu SM	31 December 2007, 31 December 2008 and 31 December 2009	Deloitte KassimChan 21, Jalan Tun Abdul Razak Susur 1/1 80000 Johor Bahru Johor, Malaysia

The auditors' reports of all audited financial statements for the relevant financial period/years under review were not subject to any qualification.

## 9. ACCOUNTANTS' REPORT (cont'd)



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### 5. Basis of preparation of historical financial information

The historical financial information presented in this report has been prepared from the following sources:

- (i) the audited combined financial statements of the PCG Group of PETRONAS, which comprise the combined statements of financial position as at 31 March 2008, 31 March 2009, 31 March 2010 and 31 July 2010, and the combined statements of comprehensive income, changes in equity and cash flows for the financial years/period ended 31 March 2008, 31 March 2009, 31 March 2010 and 31 July 2010, which we have audited and on which we expressed an audit opinion and reported to the directors of the Company that these combined financial statements give a true and fair view of the combined financial position as of 31 March 2008, 31 March 2009, 31 March 2010 and 31 July 2010 and of the combined financial performance and cash flows for the financial years/period ended 31 March 2008, 31 March 2009, 31 March 2010 and 31 July 2010 in accordance with Financial Reporting Standards in Malaysia; and
- (ii) the unaudited combined financial statements of the PCG Group of PETRONAS for the four months ended 31 July 2009.

PCG Group of PETRONAS represents the petrochemicals business of PETRONAS which comprises the entities listed in Section 3.3 of this report.

The audited combined financial statements are the responsibility of the Directors of PETRONAS and PCG. The combined financial statements have been prepared solely for the purpose of the listing of the shares of PCG on the Main Market of Bursa Securities and for no other purpose.

The combined financial statements have been carved out from the consolidated financial statements of PETRONAS and its subsidiaries and, where appropriate, adjustments have been made to specifically present only the combined financial position, results of operations and cash flows of PCG Group of PETRONAS. The combined financial statements of the PCG Group of PETRONAS have been prepared as if PCG, the subsidiaries, associates and jointly-controlled entity of PCG Group have operated as a single economic entity throughout the financial years ended 31 March 2008, 31 March 2009 and 31 March 2010 and the four months ended 31 July 2009 and 31 July 2010, and have been prepared from the books and records maintained by each entity. The financial information as presented in the combined financial statements may not be the same as the consolidated financial statements of PCG Group after incorporating the subdivision of shares, Reorganisation and IPO. Further, such financial information from the combined financial statements does not purport to predict PCG Group's financial position, results and cash flows.

No audited combined financial statements have been prepared in respect of any period subsequent to 31 July 2010.

The historical financial information is set out in Section A of this report.

### 6. Dividend

The Company has not paid or declared any dividend since its date of incorporation.



9. ACCOUNTANTS' REPORT (cont'd)

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**SECTION A – HISTORICAL FINANCIAL INFORMATION**

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION

## I COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	Audited as at			
		31.3.2008 RM Mil	31.3.2009 RM Mil	31.3.2010 RM Mil	31.7.2010 RM Mil
<b>ASSETS</b>					
Property, plant and equipment	3	10,567	11,121	12,992	12,810
Investments in associates	4	1,013	919	822	918
Investments in jointly controlled entities	5	1,076	1,141	107	99
Intangible assets	6	32	53	1,211	1,210
Long term receivables	7	86	55	32	30
Deferred tax assets	8	336	288	491	487
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,110</b>	<b>13,577</b>	<b>15,655</b>	<b>15,554</b>
Trade and other inventories	9	914	826	1,231	1,183
Trade and other receivables	10	2,076	1,360	2,237	1,515
Tax recoverable		2	251	212	188
Fund and other investments	11	426	139	25	20
Cash and cash equivalents	12	4,961	7,081	7,532	6,604
<b>TOTAL CURRENT ASSETS</b>		<b>8,379</b>	<b>9,657</b>	<b>11,237</b>	<b>9,510</b>
<b>TOTAL ASSETS</b>		<b>21,489</b>	<b>23,234</b>	<b>26,892</b>	<b>25,064</b>
<b>EQUITY</b>					
Reserves attributable to Petroleum Nasional Berhad		14,889	15,736	17,069	17,196
Minority shareholders' interests	13	2,267	2,082	1,979	1,940
<b>TOTAL EQUITY</b>		<b>17,156</b>	<b>17,818</b>	<b>19,048</b>	<b>19,136</b>
<b>LIABILITIES</b>					
Borrowings	14	967	586	1,254	1,274
Deferred tax liabilities	8	737	1,101	1,167	1,148
Other long term liabilities and provisions		47	27	28	28
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,751</b>	<b>1,714</b>	<b>2,449</b>	<b>2,450</b>
Trade and other payables	15	1,735	2,896	4,734	2,626
Borrowings	14	555	745	623	614
Taxation		292	61	38	238
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,582</b>	<b>3,702</b>	<b>5,395</b>	<b>3,478</b>
<b>TOTAL LIABILITIES</b>		<b>4,333</b>	<b>5,416</b>	<b>7,844</b>	<b>5,928</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21,489</b>	<b>23,234</b>	<b>26,892</b>	<b>25,064</b>

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## II COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Audited			Unaudited	Audited
		Financial year ended			4 months period ended	
		31.3.2008	31.3.2009	31.3.2010	31.7.2009	31.7.2010
		RM Mil	RM Mil	RM Mil	RM Mil	
Revenue		12,855	12,367	12,203	3,252	4,218
Cost of revenue		(6,499)	(7,500)	(8,561)	(2,395)	(3,010)
<b>Gross profit</b>		<b>6,356</b>	<b>4,867</b>	<b>3,642</b>	<b>857</b>	<b>1,208</b>
Selling and distribution expenses		(337)	(335)	(351)	(118)	(127)
Administration expenses		(319)	(320)	(318)	(100)	(98)
Other expenses		(55)	(111)	(127)	(15)	(46)
Other income		283	342	403	76	133
<b>Operating profit</b>	16	<b>5,928</b>	<b>4,443</b>	<b>3,249</b>	<b>700</b>	<b>1,070</b>
Financing costs		(81)	(57)	(62)	(16)	(24)
Share of profit after tax and minority interest of equity accounted associates and jointly controlled entities		273	25	181	56	172
<b>Profit before taxation</b>		<b>6,120</b>	<b>4,411</b>	<b>3,368</b>	<b>740</b>	<b>1,218</b>
Tax expense	17	(1,491)	(962)	(774)	(153)	(280)
<b>PROFIT FOR THE YEAR/PERIOD</b>		<b>4,629</b>	<b>3,449</b>	<b>2,594</b>	<b>587</b>	<b>938</b>
<b>Other comprehensive income, net of tax</b>						
Foreign currency translation differences for foreign operations		(2)	3	(3)	-	2
Share of other comprehensive income of associates and jointly controlled entities		(19)	2	(1)	4	(4)
		(21)	5	(4)	4	(2)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD</b>		<b>4,608</b>	<b>3,454</b>	<b>2,590</b>	<b>591</b>	<b>936</b>

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## II COMBINED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	Note	Audited			Unaudited	Audited
		Financial year ended			4 months period ended	
		31.3.2008	31.3.2009	31.3.2010	31.7.2009	31.7.2010
		RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
<b>Profit attributable to:</b>						
Petroliam Nasional Berhad		3,925	2,818	2,199	505	814
Minority shareholders		704	631	395	82	124
<b>PROFIT FOR THE YEAR/PERIOD</b>		<b>4,629</b>	<b>3,449</b>	<b>2,594</b>	<b>587</b>	<b>938</b>
<b>Total comprehensive income attributable to:</b>						
Petroliam Nasional Berhad		3,904	2,823	2,195	509	812
Minority shareholders		704	631	395	82	124
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD</b>		<b>4,608</b>	<b>3,454</b>	<b>2,590</b>	<b>591</b>	<b>936</b>
<b>Basic earnings per ordinary share (RM'000)</b>	18	<b>39</b>	<b>28</b>	<b>22</b>	<b>5</b>	<b>8</b>

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## III COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Reserves RM Mil	Minority Interest RM Mil	Total RM Mil
<b>Audited</b>				
<b>At 1 April 2007</b>		13,708	2,244	15,952
Total comprehensive income for the year		3,904	704	4,608
Net effect of acquisition of subsidiary	27	38	2	40
Dividends paid to minority shareholders		-	(683)	(683)
Dividends paid to Petroliam Nasional Berhad		(2,534)	-	(2,534)
Dividends paid by associates and jointly controlled entities		(78)	-	(78)
Redemption of redeemable preference shares by subsidiaries		(149)	-	(149)
<b>At 31 March 2008</b>		<b>14,889</b>	<b>2,267</b>	<b>17,156</b>
<b>Audited</b>				
<b>At 1 April 2008</b>		14,889	2,267	17,156
Effect of adopting FRS 139		97	2	99
<b>At 1 April 2008, restated</b>		14,986	2,269	17,255
Total comprehensive income for the year		2,823	631	3,454
Dividends paid to minority shareholders		-	(818)	(818)
Dividends paid to Petroliam Nasional Berhad		(1,987)	-	(1,987)
Dividends paid by associates and jointly controlled entities		(56)	-	(56)
Redemption of redeemable preference shares by subsidiaries		(30)	-	(30)
<b>At 31 March 2009</b>		<b>15,736</b>	<b>2,082</b>	<b>17,818</b>
<b>Audited</b>				
<b>At 1 April 2009</b>		15,736	2,082	17,818
Total comprehensive income for the year		2,195	395	2,590
Net effect of acquisition/additional interest in subsidiaries	27	2,338	(354)	1,984
Dividends paid to minority shareholders		-	(144)	(144)
Dividends paid to Petroliam Nasional Berhad		(2,196)	-	(2,196)
Dividends paid by associates and jointly controlled entities		(112)	-	(112)
Redemption of redeemable preference shares by subsidiaries		(692)	-	(692)
Redemption of redeemable preference shares by an associate		(200)	-	(200)
<b>At 31 March 2010</b>		<b>17,069</b>	<b>1,979</b>	<b>19,048</b>

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## III COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

	Note	Reserves RM Mil	Minority Interest RM Mil	Total RM Mil
<b>Unaudited</b>				
<b>At 1 April 2009</b>		15,736	2,082	17,818
Total comprehensive income for the period		509	82	591
Dividends paid to minority shareholders		-	(112)	(112)
Dividends paid to Petroliam Nasional Berhad		(288)	-	(288)
Dividends paid by associates and jointly controlled entities		(40)	-	(40)
<b>At 31 July 2009</b>		<b>15,917</b>	<b>2,052</b>	<b>17,969</b>
<b>Audited</b>				
<b>At 1 April 2010</b>		17,069	1,979	19,048
Total comprehensive income for the period		812	124	936
Dividends paid to minority shareholders		-	(131)	(131)
Dividends paid to Petroliam Nasional Berhad		(407)	-	(407)
Redemption of redeemable preference shares by subsidiaries		(198)	(32)	(230)
Redemption of redeemable preference shares by an associate		(80)	-	(80)
<b>At 31 July 2010</b>		<b>17,196</b>	<b>1,940</b>	<b>19,136</b>

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## IV COMBINED STATEMENTS OF CASH FLOWS

	Audited			Unaudited	Audited
	Financial year ended			4 months period ended	
	31.3.2008 RM Mil	31.3.2009 RM Mil	31.3.2010 RM Mil	31.7.2009 RM Mil	31.7.2010 RM Mil
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	12,846	13,202	11,902	3,229	4,810
Cash paid to suppliers and employees	(6,235)	(6,364)	(7,246)	(2,097)	(4,991)
	6,611	6,838	4,656	1,132	(181)
Interest income received	199	222	177	52	54
Taxation paid	(1,179)	(1,030)	(624)	(119)	(60)
<b>Net cash generated from/(used in) operating activities</b>	<b>5,631</b>	<b>6,030</b>	<b>4,209</b>	<b>1,065</b>	<b>(187)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash acquired resulting from acquisition of shares in subsidiaries	6	-	484	-	-
Investment in securities	(1,052)	(1,102)	(820)	(15)	-
Purchase of property, plant and equipment	(1,476)	(1,239)	(892)	(224)	(172)
Purchase of intangible assets	-	(23)	-	-	-
Other long term receivables	46	31	23	16	2
Proceeds from disposal of:					
- securities	788	1,392	933	129	5
- property, plant and equipment	2	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(1,686)</b>	<b>(941)</b>	<b>(272)</b>	<b>(94)</b>	<b>(165)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividends paid to Petroliam Nasional Berhad	(2,534)	(1,962)	(2,196)	(288)	(372)
Dividends paid to minority shareholders	(683)	(818)	(144)	(112)	(131)
Redemption of preference shares by subsidiaries	(149)	(30)	(692)	-	(80)
Drawdown of:					
- Petroliam Nasional Berhad loans and advances	100	100	-	-	150
- revolving credits and bankers' acceptance	376	741	4,428	1,114	1,689
- advances from related company	45	-	-	-	-
<b>Balance carried forward</b>	<b>(2,845)</b>	<b>(1,969)</b>	<b>1,396</b>	<b>714</b>	<b>1,256</b>

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## IV COMBINED STATEMENTS OF CASH FLOWS (continued)

	Audited			Unaudited	Audited
	Financial year ended			4 months period ended	
	31.3.2008	31.3.2009	31.3.2010	31.7.2009	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
<b>CASH FLOWS FROM FINANCING ACTIVITIES (continued)</b>					
Balance brought forward	(2,845)	(1,969)	1,396	714	1,256
Repayment of:					
- Petroliam Nasional Berhad loans and advances	(124)	(96)	(113)	(45)	(5)
- Islamic financing facilities	(50)	(49)	(50)	-	-
- term loans	(319)	(290)	(240)	(31)	-
- revolving credits and bankers' acceptance	(501)	(546)	(4,417)	(911)	(1,815)
Interest expenses paid	(56)	(40)	(49)	(9)	(7)
<b>Net cash used in financing activities</b>	<b>(3,895)</b>	<b>(2,990)</b>	<b>(3,473)</b>	<b>(282)</b>	<b>(571)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>50</b>	<b>2,099</b>	<b>464</b>	<b>689</b>	<b>(923)</b>
<b>DECREASE IN DEPOSITS RESTRICTED</b>	<b>88</b>	<b>68</b>	<b>66</b>	<b>-</b>	<b>-</b>
<b>NET FOREIGN EXCHANGE DIFFERENCE</b>	<b>(25)</b>	<b>21</b>	<b>(13)</b>	<b>(4)</b>	<b>(5)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR /PERIOD</b>	<b>4,625</b>	<b>4,738</b>	<b>6,926</b>	<b>6,926</b>	<b>7,443</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR /PERIOD</b>	<b>4,738</b>	<b>6,926</b>	<b>7,443</b>	<b>7,611</b>	<b>6,515</b>
<b>CASH AND CASH EQUIVALENTS</b>					
Cash and bank balances and deposits (note 12)	4,961	7,081	7,532	7,766	6,604
Less: Deposits restricted	(223)	(155)	(89)	(155)	(89)
	<b>4,738</b>	<b>6,926</b>	<b>7,443</b>	<b>7,611</b>	<b>6,515</b>



## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## V NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

This combined financial statements of PCG Group of Petroliaam Nasional Berhad ("PETRONAS") have been prepared solely in connection with the proposed Initial Public Offering of PETRONAS Chemicals Group Sdn Bhd and for no other purposes.

PCG Group represents the petrochemicals business of PETRONAS which comprise the following subsidiaries, associates and jointly controlled entities:

- *Subsidiaries*
  - (i) PETRONAS Chemicals Group Bhd ("PCG");
  - (ii) Aromatics Malaysia Sdn Bhd ("Aromatics Malaysia");
  - (iii) ASEAN Bintulu Fertilizer Sdn Bhd ("ASEAN Bintulu Fertilizer");
  - (iv) Ethylene Malaysia Sdn Bhd ("Ethylene Malaysia");
  - (v) Kertih Port Sdn Bhd ("Kertih Port");
  - (vi) Malaysian International Trading Corporation Sdn Bhd ("MITCO");
  - (vii) MTBE Malaysia Sdn Bhd ("MTBE Malaysia");
  - (viii) OPTIMAL Chemicals (Malaysia) Sdn Bhd ("OPTIMAL Chemicals");
  - (ix) OPTIMAL Glycols (Malaysia) Sdn Bhd ("OPTIMAL Glycols");
  - (x) OPTIMAL Olefins (Malaysia) Sdn Bhd ("OPTIMAL Olefins");
  - (xi) Petlin (Malaysia) Sdn Bhd ("PETLIN");
  - (xii) PETRONAS Ammonia Sdn Bhd ("PETRONAS Ammonia");
  - (xiii) PETRONAS Fertilizer (Kedah) Sdn Bhd ("PETRONAS Fertilizer");
  - (xiv) PETRONAS Methanol (Labuan) Sdn Bhd ("PETRONAS Methanol");
  - (xv) Phu My Plastics and Chemicals Co Ltd ("Phu My");
  - (xvi) Polypropylene Malaysia Sdn Bhd ("Polypropylene Malaysia"); and
  - (xvii) Vinyl Chloride (Malaysia) Sdn Bhd ("Vinyl Chloride (Malaysia)").
- *Associates*
  - (i) BASF PETRONAS Chemicals Sdn Bhd ("BASF PETRONAS Chemicals");
  - (ii) Idemitsu SM (M) Sdn Bhd ("Idemitsu SM");
  - (iii) Kertih Terminals Sdn Bhd ("Kertih Terminals"); and
  - (iv) Malaysian NPK Fertilizer Sdn Bhd ("Malaysian NPK Fertilizer").
- *Jointly Controlled Entities*
  - (i) BP PETRONAS Acetyls Sdn Bhd ("BP PETRONAS Acetyls"); and
  - (ii) Polyethylene Malaysia Sdn Bhd ("Polyethylene Malaysia").

The principal activities of the above subsidiaries, associates and jointly controlled entities and PETRONAS' effective percentage of equity holdings are stated in note 19 to the combined financial statements.

The combined financial statements have been carved out from the consolidated financial statements of PETRONAS and its subsidiaries ("PETRONAS Group") and, where appropriate, adjustments have been made to specifically present only the combined financial position, results of operations and cash flows of PCG Group of PETRONAS.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 1. BASIS OF PREPARATION (continued)

The combined financial statements of PCG Group have been prepared as if the subsidiaries, associates and jointly controlled entities of PCG Group have operated as a single economic entity throughout the financial years ended 31 March 2008, 31 March 2009 and 31 March 2010 and the four months ended 31 July 2009 and 31 July 2010, and have been prepared from the books and records maintained by each entity. The combined figures for the four months ended 31 July 2009 are unaudited and included for comparative purposes only.

This combined financial statements do not incorporate the effects of the Reorganisation as disclosed in note 28 to the combined financial statements.

## 1.1 Statement of compliance

The combined financial statements of PCG Group have been prepared in accordance with Financial Reporting Standards (FRSs) and generally accepted accounting principles in Malaysia.

As of 1 April 2010, PCG Group has adopted the following FRSs and Amendments to FRSs which are effective for annual periods beginning on or after 1 January 2010 (unless otherwise stated):

FRS 8	<i>Operating Segments (effective for annual periods beginning on or after 1 July 2009)</i>
FRS 101	<i>Presentation of Financial Statements (Revised)</i>
FRS 123	<i>Borrowing Costs (Revised)</i>
Amendment to FRS 107	<i>Cash Flow Statements</i>
Amendment to FRS 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
Amendment to FRS 116	<i>Property, Plant and Equipment</i>
Amendment to FRS 117	<i>Leases</i>
Amendment to FRS 118	<i>Revenue</i>
Amendment to FRS 119	<i>Employee Benefits</i>
Amendment to FRS 127	<i>Consolidated and Separate Financial Statements</i>
Amendment to FRS 128	<i>Investments in Associates</i>
Amendment to FRS 131	<i>Interests in Joint Ventures</i>
Amendment to FRS 132	<i>Financial Instruments: Presentation (Puttable Financial Instruments and Obligations Arising on Liquidation / Separation of Compound Instruments)</i>
Amendment to FRS 134	<i>Interim Financial Reporting</i>
Amendment to FRS 136	<i>Impairment of Assets</i>
Amendments to FRS 139	<i>Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives</i>

The adoption of the above FRSs and Amendments to FRSs other than Amendment to FRS 117, did not have material impact on these combined financial statements. The adoption of Amendment to FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land.

**9. ACCOUNTANTS' REPORT (cont'd)**

*PETRONAS Chemicals Group Berhad*  
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**A HISTORICAL FINANCIAL INFORMATION (continued)****1. BASIS OF PREPARATION (continued)****1.1 Statement of compliance (continued)**

Prior to the adoption of Amendment to FRS 117, PCG Group had previously classified leases of land as operating leases and had recognised the amount of payments made on entering into or acquiring the land as prepaid lease payments. These land are amortised over the lease term in accordance with the pattern of benefits provided. On adoption of Amendment to FRS 117, PCG Group treats such leases of land that meets the definition of finance leases as property, with the unamortised carrying amount classified as leasehold land within property, plant and equipment. These land are then accounted for in the combined financial statements in accordance with the accounting policy for property, plant and equipment as stated in note 2.2.

The effects of adopting Amendment to FRS 117 had been accounted for retrospectively in accordance with the transitional provisions of the standard. This change in accounting policy does not have material impact on PCG Group's reported income and net assets.

The Malaysian Accounting Standards Board ("MASB") has issued new pronouncements comprising FRSS, Amendments to FRSS and Statement of Interpretations, which are not yet effective for PCG Group. These pronouncements including their impact on the combined financial statements in the period of initial application are set out in note 25. New pronouncements that are not relevant to the operations of PCG Group are set out in note 26.

**1.2 Basis of measurement**

The combined financial statements of PCG Group have been prepared on the historical cost basis except that, as disclosed in the accounting policies below, certain items are measured at fair value.

**1.3 Functional and presentation currency**

The individual financial statements of each entity in PCG Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The combined financial statements of PCG Group are presented in Ringgit Malaysia ("RM"), which is PETRONAS' functional currency, and has been rounded to the nearest million.

**1.4 Use of estimates and judgments**

The preparation of combined financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 1. BASIS OF PREPARATION (continued)

## 1.4 Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the combined financial statements are described in the following notes:

- (i) Note 6 - Intangible assets; and
- (ii) Note 8 - Deferred tax.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by each entity in PCG Group to all periods presented in these combined financial statements, unless otherwise stated.

## 2.1 Basis of combination

## (i) Subsidiaries

Subsidiaries included in this combined financial statements as disclosed in note 19 to the combined financial statements, are entities controlled by PETRONAS. Control exists when PETRONAS has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

Acquisitions of subsidiaries by PETRONAS are combined using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired during the year are included in the combined financial statements from the date that control commences until the date that control ceases. The purchase method of accounting involves allocating the cost of the acquisition to PETRONAS' interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

The difference between the cost of acquisition and PETRONAS' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries is treated as goodwill or negative goodwill and is described separately in note 2.4(i).

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.1 Basis of combination (continued)

## (i) Subsidiaries (continued)

All inter-company transactions in so far that they are between subsidiaries in PCG Group ("inter-company transactions"), are eliminated on combination and revenue and profits relate to transactions external to PCG Group only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered. PETRONAS' cost of investment in PCG Group is included in reserves.

Minority shareholders' interests at the end of each reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by PETRONAS, whether directly or indirectly through PETRONAS' subsidiaries, are presented in the combined statements of financial position and statements of changes in equity within equity, separately from equity attributable to PETRONAS. Minority shareholders' interests in the results of PCG Group are presented on the face of the combined statements of comprehensive income as an allocation of the total profit or loss for the year between minority shareholders' interests and PETRONAS.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against PETRONAS' interest in PCG Group except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, PETRONAS' interest in PCG Group is allocated all such profits until the minority's share of losses previously absorbed by PETRONAS has been recovered.

## (ii) Associates

Associates included in this combined financial statements as disclosed in note 19 to the combined financial statements, are entities in which PETRONAS has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the combined financial statements using the equity method of accounting. The combined financial statements include PETRONAS' share of post-acquisition profits or losses and other comprehensive income of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of PETRONAS, from the date that significant influence commences until the date that significant influence ceases.

PETRONAS' share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the combined statements of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When PETRONAS' share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that PETRONAS has an obligation or has made payments on behalf of the investee.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.1 Basis of combination (continued)

## (ii) Associates (continued)

Unrealised profits arising from transactions between subsidiaries and associates in PCG Group are eliminated to the extent of PETRONAS' interests in the associates. Unrealised loss on such transactions are also eliminated partially unless cost cannot be recovered.

## (iii) Jointly controlled entities

PETRONAS has interests in joint ventures which are jointly controlled entities. In this set of combined financial statements, only jointly controlled entities as disclosed in note 19 have been included. A joint venture is a contractual arrangement whereby PETRONAS and other parties undertake an economic activity that is subject to joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the combined financial statements using the equity method of accounting as described in note 2.1(ii).

## 2.2 Property, plant and equipment and depreciation

Projects-in-progress is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the assets and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to PCG Group and its cost can be measured reliably. The net book value of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation for property, plant and equipment other than projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.2 Property, plant and equipment and depreciation (continued)

Leasehold land is depreciated over the lease period of 30 to 99 years. The estimated useful lives of other property, plant and equipment are as follows:

Buildings	14 - 50 years
Plant and equipment	5 - 67 years
Office equipment, furniture and fittings	5 - 7 years
Computer software and hardware	5 years
Motor vehicles	3 - 5 years

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial period to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

## 2.3 Leased assets

A lease, including leasehold land, is recognised as a finance lease if it transfers substantially to PCG Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability, if not settled, is included in the statement of financial position as borrowings.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

All leases that do not transfer substantially to PCG Group all the risks and rewards incidental to ownership are classified as operating leases. The leased assets are not recognised in PCG Group's combined statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line basis.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.4 Intangible assets

## (i) Goodwill

Goodwill arising from acquisitions represents the excess of the cost of the acquisition over PETRONAS' interest in the fair values of the net identifiable assets and liabilities and contingent liabilities of the acquiree.

When the excess is negative (negative goodwill), it is recognised immediately in the profit or loss.

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

## (ii) Other intangible assets

Intangible assets other than goodwill are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.

Amortisation for intangible assets is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives.

The estimated useful life for the current and comparative periods are as follows:

License	10 years
Land use rights	30 years

The amortisation method and the useful life for intangible assets are reviewed at least at the end of each reporting period. Intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

The amortisation of other intangible assets is recognised in cost of sales.



## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 Financial instruments

(Policies applicable to financial instruments from 1 April 2008)

## (i) Financial assets

*Initial recognition*

Financial assets within the scope of FRS 139 *Financial Instruments: Recognition and Measurement* are classified as loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, held-to-maturity investments or as derivatives designated as hedging instruments in an effective hedge, as appropriate. PCG Group determines the classification of financial assets at initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs.

Purchases or sales that require delivery of financial assets within a timeframe established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date i.e. the date that PCG Group commits to purchase or sell the financial asset. PCG Group's financial assets include cash and cash equivalents, trade and other receivables, loans and advances, investments and derivative financial instruments.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by PCG Group, including separated embedded derivatives, unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in the profit or loss. The methods used to measure fair values are stated in note 2.5(iv).

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 Financial instruments (continued)

(Policies applicable to financial instruments from 1 April 2008)

## (i) Financial assets (continued)

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are carried at amortised cost, using the effective interest rate method (note 2.5(v)), less impairment losses.

Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when PCG Group has positive intention and ability to hold the assets to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less impairment losses. Gains and losses are recognised in the profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

PCG Group did not have any held-to-maturity investments.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Subsequent to initial recognition, such financial assets are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recorded in other comprehensive income is reclassified in the profit or loss.

PCG Group did not have any available-for-sale financial assets.

## (ii) Financial liabilities

*Initial recognition*

Financial liabilities within the scope of FRS 139 *Financial Instruments: Recognition and Measurement* are classified as loans and borrowings, financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. PCG Group determines the classification of financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, any directly attributable transaction costs.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 Financial instruments (continued)

(Policies applicable to financial instruments from 1 April 2008)

## (ii) Financial liabilities (continued)

*Initial recognition (continued)*

Fair value adjustments on loans and advances due to PETRONAS at initial recognition, if any, are taken to reserves within equity in PCG Group's combined financial statements.

PCG Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by PCG Group that do not meet the hedge accounting criteria as defined by FRS 139.

Financial liabilities at fair value through profit or loss are carried on the combined statement of financial position at fair value with gains or losses recognised in the profit or loss.

*Loans and borrowings*

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

## (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 Financial instruments (continued)

(Policies applicable to financial instruments from 1 April 2008)

## (iv) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses.

## (v) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

## (vi) Derecognition of financial instruments

*Financial assets*

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, PCG Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 Financial instruments (continued)

(Policies applicable to financial instruments from 1 April 2008)

## (vii) Derivative financial instruments

*Initial recognition and subsequent measurement*

PCG Group uses derivative financial instruments such as interest rate and foreign currency swaps, forward rate contracts, futures and options, to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the profit or loss.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled and not held for own use, or which contain written options, are recognised at fair value, with gains and losses taken to the profit or loss.

*Embedded derivatives*

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and economic characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when PCG Group becomes a party to them, including at the date of a business combination.

Embedded derivatives are measured at fair value at each statement of financial position date. Any gains or losses arising from changes in fair value on embedded derivatives during the period that do not qualify for hedge accounting are taken directly to the profit or loss.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 Financial instruments (continued)

*(Policies applicable to financial instruments prior to 1 April 2008)*

Prior to the adoption of FRS 139, i.e. from 1 April 2008, PCG Group applied the following policies to financial assets:

- (a) investments held for long term purposes are stated at cost less allowance for diminution in value when the diminution in value is assessed to be other than temporary;
- (b) quoted shares, quoted securities and Malaysian Government Securities held as short term investments are stated at the lower of cost and market value on an individual investment basis;
- (c) unquoted securities held as short term investments are stated at the lower of cost and theoretical market value based on the yield to maturity;
- (d) derivative instruments are not fair valued at reporting date;
- (e) trade and other receivables are stated at cost less allowance for doubtful debts; and
- (f) loans and borrowings are stated at cost.

The change in accounting policy is applied prospectively in accordance with the transitional provisions of FRS 139. The impact arising from the change in accounting policy on 1 April 2008 have been adjusted to retained earnings or other reserves, where appropriate.

## 2.6 Impairment

## (i) Financial assets

*(Policies applicable to financial assets from 1 April 2008)*

A financial asset is assessed at the end of each reporting period to determine whether there is any objective evidence that it is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

*Loans and receivables*

For loans and receivables carried at amortised cost, individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.6 Impairment (continued)

## (i) Financial assets (continued)

(Policies applicable to financial assets from 1 April 2008)

*Available-for-sale financial investments*

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, an amount comprising the difference between its cost and its fair value is transferred from other comprehensive income to the profit or loss.

If, in a subsequent period, the fair value of an available-for-sale financial investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Impairment losses recognised in profit and loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

## (ii) Non-financial assets

The carrying amounts of assets, other than inventories, deferred tax assets and financial assets (financial assets in this context exclude investments in subsidiaries and associates), are reviewed at the end of each reporting period to determine whether there is any indication of impairment. The carrying amounts are reviewed frequently if events or changes in circumstances indicate that the carrying value may be impaired, as described in the respective assets' accounting policies.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed in a subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.6 Impairment (continued)

## (ii) Non-financial assets (continued)

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

## 2.7 Inventories

Inventories of petrochemical and petroleum products are stated at the lower of cost and net realisable value. Cost of petrochemical and petroleum products includes raw material costs and production overheads and is determined on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

## 2.9 Provisions

A provision is recognised if, as a result of a past event, PCG Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of PCG Group, are not recognised in the combined financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

## 2.10 Employee benefits

## (i) Short term benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of PCG Group.



## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.10 Employee benefits (continued)

## (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

## (iii) Defined benefit plan

Up to 30 September 2008, PCG Group contributed monthly to the PETRONAS Retirement Benefit Fund ("PETRONAS Fund"). The PETRONAS Fund was a funded defined benefit plan.

Contributions to the PETRONAS Fund were based on eligible employees' monthly emoluments less statutory contribution, to finance the retirement benefit payable to eligible employees. The monthly maximum tax allowance contribution was paid to the PETRONAS Fund by PCG Group. The excess was paid by PCG Group to a special account in PETRONAS, the holding company, as a provision for retirement benefits.

As the eligible members of the PETRONAS Fund were mainly contracted to PETRONAS, any shortfall of the PETRONAS Fund would be borne by PETRONAS.

On 1 October 2008, the Trustees commenced dissolution of the PETRONAS Fund and PCG Group ceased to contribute to the PETRONAS Fund. Hence, from 1 October 2008, the PCG Group only contributes to EPF.

## 2.12 Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss.

## (i) Current tax

Current tax expense is the expected tax payable on the taxable income for the period, using the statutory tax rates that have been enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

## (ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and unused tax credits can be utilised.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.12 Taxation (continued)

## (ii) Deferred tax (continued)

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on statutory tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 2.13 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of PCG Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of each reporting period.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of each reporting period except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments, are translated to RM at exchange rates at the end of each reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in reserves. When a foreign operation is disposed of, in part or in full, the relevant amount in reserves is transferred to profit or loss as part of the profit or loss on disposal.

**9. ACCOUNTANTS' REPORT (cont'd)**

*PETRONAS Chemicals Group Berhad*  
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**A HISTORICAL FINANCIAL INFORMATION (continued)****2. SIGNIFICANT ACCOUNTING POLICIES (continued)****2.14 Finance costs**

Finance costs comprise interest payable on borrowings and profit share margin on Islamic financing facilities, as well as any accretion in provision due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing cost as part of the cost of a qualifying asset commences when expenditures for the asset is being incurred, borrowing cost are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing cost is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**2.15 Revenue**

Revenue from sale of petrochemicals products and their related-products are recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the profit or loss based on the actual and estimated throughput volume and port charges.

**2.16 Interest income**

Income arising from assets yielding interest are recognised on a time proportion basis that takes into account the effective yield on the assets.

**2.17 Operating segment**

An operating segment is a component of PCG Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the components of PCG Group. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Committee of PETRONAS, to make decisions about resources to be allocated to the segment and assess the performance of PCG Group, and for which discrete financial information is available.

9. ACCOUNTANTS' REPORT (cont'd)

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A HISTORICAL FINANCIAL INFORMATION (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Basic earnings per ordinary share

PCG Group presents basic earnings per share data for its ordinary shares.

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of PCG Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT

Audited 31.3.2008	At 1.4.2007 RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil
<b>At cost:</b>				
Leasehold land	165	-	-	-
Buildings	1,119	1	1	-
Plant and equipment	13,293	113	185	(21)
Office equipment, furniture and fittings	47	4	-	-
Computer software and hardware	61	4	3	(1)
Motor vehicles	24	4	-	(2)
Projects-in-progress	972	1,350	-	(9)
	<u>15,681</u>	<u>1,476</u>	<u>189</u>	<u>(33)</u>

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	At 1.4.2007 RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil	Disposal/ write offs RM Mil
<b>Accumulated depreciation and impairment losses</b>				
Leasehold land	26	3	-	-
Buildings	350	21	-	-
Plant and equipment*	5,579	595	46	(8)
Office equipment, furniture and fittings	38	4	-	-
Computer software and hardware	46	6	1	(1)
Motor vehicles	15	4	-	(2)
Projects-in-progress	-	-	-	-
	<u>6,054</u>	<u>633</u>	<u>47</u>	<u>(11)</u>

*continue to next page*

\* Included in the accumulated depreciation and impairment losses of plant and equipment is impairment losses carried forward since 2007 amounting to RM225 million.

The fair value of property, plant and equipment of subsidiaries acquired during the year is presented on a gross basis, where cost is separately presented from accumulated depreciation and impairment losses.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited 31.3.2008	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
<b>At cost:</b>			
Leasehold land	-	-	165
Buildings	22	-	1,143
Plant and equipment	221	(14)	13,777
Office equipment, furniture and fittings	4	-	55
Computer software and hardware	-	-	67
Motor vehicles	-	-	26
Projects-in-progress	(265)	-	2,048
	<u>(18)</u>	<u>(14)</u>	<u>17,281</u>

*continued from previous page*

Accumulated depreciation and impairment losses	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
Leasehold land	-	-	29
Buildings	-	-	371
Plant and equipment	(6)	(3)	6,203
Office equipment, furniture and fittings	1	-	43
Computer software and hardware	(1)	-	51
Motor vehicles	-	-	17
Projects-in-progress	-	-	-
	<u>(6)</u>	<u>(3)</u>	<u>6,714</u>

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## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited 31.3.2009	At 1.4.2008 RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil
<b>At cost:</b>				
Leasehold land	165	-	-	-
Buildings	1,143	2	-	(10)
Plant and equipment	13,777	167	-	(5)
Office equipment, furniture and fittings	55	3	-	(1)
Computer software and hardware	67	3	-	(1)
Motor vehicles	26	1	-	-
Projects-in-progress	2,048	1,063	-	(14)
	17,281	1,239	-	(31)

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	At 1.4.2008 RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil
<b>Accumulated depreciation and impairment losses</b>				
Leasehold land	29	3	-	-
Buildings	371	22	-	(6)
Plant and equipment	6,203	645	-	(5)
Office equipment, furniture and fittings	43	4	-	(1)
Computer software and hardware	51	6	-	(1)
Motor vehicles	17	4	-	-
Projects-in-progress	-	-	-	-
	6,714	684	-	(13)

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## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited 31.3.2009	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.3.2009 RM Mil
<b>At cost:</b>			
Leasehold land	32	-	197
Buildings	9	-	1,144
Plant and equipment	226	24	14,189
Office equipment, furniture and fittings	2	-	59
Computer software and hardware	6	-	75
Motor vehicles	1	-	28
Projects-in-progress	(276)	-	2,821
	-	24	18,513
	<i>continued from previous page</i>		

Accumulated depreciation and impairment losses	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.3.2009 RM Mil
Leasehold land	-	-	32
Buildings	-	-	387
Plant and equipment	-	7	6,850
Office equipment, furniture and fittings	-	-	46
Computer software and hardware	-	-	56
Motor vehicles	-	-	21
Projects-in-progress	-	-	-
	-	7	7,392
	<i>continued from previous page</i>		



## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited 31.3.2010	At 1.4.2009 RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil
<b>At cost:</b>				
Leasehold land	197	-	86	-
Buildings	1,144	3	48	-
Plant and equipment	14,189	163	2,787	(41)
Office equipment, furniture and fittings	59	3	42	(1)
Computer software and hardware	75	3	5	(1)
Motor vehicles	28	-	6	-
Projects-in-progress	2,821	720	52	(55)
	<u>18,513</u>	<u>892</u>	<u>3,026</u>	<u>(98)</u>

*continue to next page*

	At 1.4.2009 RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil
<b>Accumulated depreciation and impairment losses</b>				
Leasehold land	32	4	11	-
Buildings	387	23	7	-
Plant and equipment	6,850	850	1,002	(22)
Office equipment, furniture and fittings	46	6	30	(1)
Computer software and hardware	56	7	3	(1)
Motor vehicles	21	4	6	-
Projects-in-progress	-	-	-	-
	<u>7,392</u>	<u>894</u>	<u>1,059</u>	<u>(24)</u>

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## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited 31.3.2010	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
<b>At cost:</b>			
Leasehold land	-	-	283
Buildings	26	-	1,221
Plant and equipment	2,674	(20)	19,752
Office equipment, furniture and fittings	7	(1)	109
Computer software and hardware	15	-	97
Motor vehicles	-	-	34
Projects-in-progress	(2,727)	(1)	810
	(5)	(22)	22,306

*continued from previous page*

Accumulated depreciation and impairment losses	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
Leasehold land	-	-	47
Buildings	-	-	417
Plant and equipment	-	(7)	8,673
Office equipment, furniture and fittings	-	-	81
Computer software and hardware	-	-	65
Motor vehicles	-	-	31
Projects-in-progress	-	-	-
	-	(7)	9,314

*continued from previous page*

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited 31.7.2010	At 1.4.2010 RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil
<b>At cost:</b>				
Leasehold land	283	-	-	-
Buildings	1,221	-	-	-
Plant and equipment	19,752	5	-	(11)
Office equipment, furniture and fittings	109	-	-	-
Computer software and hardware	97	-	-	-
Motor vehicles	34	-	-	-
Projects-in-progress	810	167	-	(5)
	<u>22,306</u>	<u>172</u>	<u>-</u>	<u>(16)</u>

*continue to next page*

Accumulated depreciation and impairment losses	At 1.4.2010 RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil	Disposals/ write offs RM Mil
Leasehold land	47	2	-	-
Buildings	417	8	-	-
Plant and equipment	8,673	323	-	(3)
Office equipment, furniture and fittings	81	1	-	-
Computer software and hardware	65	4	-	-
Motor vehicles	31	1	-	-
Projects-in-progress	-	-	-	-
	<u>9,314</u>	<u>339</u>	<u>-</u>	<u>(3)</u>

*continue to next page*

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited 31.7.2010	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.7.2010 RM Mil
<b>At cost:</b>			
Leasehold land	-	-	283
Buildings	3	-	1,224
Plant and equipment	355	(4)	20,097
Office equipment, furniture and fittings	5	-	114
Computer software and hardware	2	-	99
Motor vehicles	-	-	34
Projects-in-progress	(365)	-	607
	-	(4)	22,458

*continued from previous page*

	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	At 31.7.2010 RM Mil
<b>Accumulated depreciation and impairment losses</b>			
Leasehold land	-	-	49
Buildings	-	-	425
Plant and equipment	-	(2)	8,991
Office equipment, furniture and fittings	-	-	82
Computer software and hardware	-	-	69
Motor vehicles	-	-	32
Projects-in-progress	-	-	-
	-	(2)	9,648

*continued from previous pages*

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
<b>Net book value:</b>				
Leasehold land	136	165	236	234
Buildings	772	757	804	799
Plant and equipment	7,574	7,339	11,079	11,106
Office equipment, furniture and fittings	12	13	28	32
Computer software and hardware	16	19	32	30
Motor vehicles	9	7	3	2
Projects-in-progress	2,048	2,821	810	607
	10,567	11,121	12,992	12,810

**Security**

Net book value of property, plant and equipment that have been pledged as security for loan facilities of PCG Group as set out in note 14 are as follows:

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
<b>Net book value of property, plant and equipment:</b>				
Pledged to secure borrowings of PCG Group	1,529	1,495	1,882	1,838

During the financial year ended 31 March 2010, certain subsidiaries of PETRONAS within PCG Group involved in notional sales of a beneficial interest in specific property, plant and equipment ("sukuk assets") with a carrying amount of RM2,885 million to a special purpose vehicle ("SPV") owned by PETRONAS, pursuant to an issuance of Islamic Trust Certificate. The SPV leased the beneficial interest in the sukuk assets to PETRONAS and was subsequently sub-leased by PETRONAS to the subsidiaries. This structure did not represent a collateralisation and there is no transfer of registered title of the sukuk assets.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 4. INVESTMENTS IN ASSOCIATES

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Investments in unquoted shares at cost	751	751	551	471
Share of post-acquisition profits and reserves	262	168	271	447
	1,013	919	822	918
<b>Summary of financial information on associates:</b>				
Total assets (100%)	3,389	3,049	2,938	3,087
Total liabilities (100%)	798	669	728	998
Revenue (100%)	4,393*	3,572*	3,441*	1,584**
Profit/(Loss) (100%)	407*	(116)*	447*	432**

Details of associates are stated in note 19 to the financial statements.

\* For the financial year ended

\*\* For the 4 months period ended

## 5. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Investments in unquoted shares at cost	541	541	101	101
Share of post-acquisition profits and reserves	535	600	6	(2)
	1,076	1,141	107	99
<b>Summary of financial information on jointly controlled entities:</b>				
Total assets (100%)	4,889	4,596	1,052	890
Total liabilities (100%)	2,570	2,206	685	580
Revenue (100%)	5,072*	4,832*	1,744*	416**
Profit/(Loss) (100%)	403*	108*	162*	(6)**

Details of jointly controlled entities are stated in note 19 to the financial statements.

\* For the financial year ended

\*\* For the 4 months period ended

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 6. INTANGIBLE ASSETS

Audited 31.3.2008	At 1.4.2007 RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Transfer from / (to) property, plant and equipment RM Mil
<b>At cost:</b>				
Goodwill	-	-	27	-
Other intangible assets	-	-	9	-
	-	-	36	-

*continue to next page*

	At 1.4.2007 RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil	Transfer from/ (to) property, plant and equipment RM Mil
<b>Accumulated amortisation:</b>				
Goodwill	-	-	-	-
Other intangible assets	-	-	3	-
	-	-	3	-

*continue to next page*

Audited 31.3.2009	At 1.4.2008 RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Transfer from/ (to) property, plant and equipment RM Mil
<b>At cost:</b>				
Goodwill	27	-	-	-
Other intangible assets	8	23	-	-
	35	23	-	-

*continue to next page*

	At 1.4.2008 RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil	Transfer from/ (to) property, plant and equipment RM Mil
<b>Accumulated amortisation:</b>				
Goodwill	-	-	-	-
Other intangible assets	3	3	-	-
	3	3	-	-

*continue to next page*

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 6. INTANGIBLE ASSETS (continued)

Audited 31.3.2008	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
<b>At cost:</b>		
Goodwill	-	27
Other intangible assets	(1)	8
	(1)	35

*continued from previous page*

	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
<b>Accumulated amortisation:</b>		
Goodwill	-	-
Other intangible assets	-	3
	-	3

*continued from previous page*

Audited 31.3.2009	Translation exchange difference RM Mil	At 31.3.2009 RM Mil
<b>At cost:</b>		
Goodwill	-	27
Other intangible assets	1	32
	1	59

*continued from previous page*

	Translation exchange difference RM Mil	At 31.3.2009 RM Mil
<b>Accumulated amortisation:</b>		
Goodwill	-	-
Other intangible assets	-	6
	-	6

*continued from previous page*



## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 6. INTANGIBLE ASSETS (continued)

Audited 31.3.2010	At 1.4.2009 RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Transfer from / (to) property, plant and equipment RM Mil
At cost:				
Goodwill	27	-	1,159	-
Other intangible assets	32	-	-	2
	59	-	1,159	2

continue to next page

	At 1.4.2009 RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil	Transfer from / (to) property, plant and equipment RM Mil
Accumulated amortisation:				
Goodwill	-	-	-	-
Other intangible assets	6	2	-	-
	6	2	-	-

continue to next page

Audited 31.7.2010	At 1.4.2010 RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Transfer from/ (to) property, plant and equipment RM Mil
At cost				
Goodwill	1,186	-	-	-
Other intangible assets	33	-	-	-
	1,219	-	-	-

continue to next page

	At 1.4.2010 RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil	Transfer from/ (to) property, plant and equipment RM Mil
Accumulated amortisation:				
Goodwill	-	-	-	-
Other intangible assets	8	1	-	-
	8	1	-	-

continue to next page

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 6. INTANGIBLE ASSETS (continued)

Audited 31.3.2010	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
<b>At cost:</b>		
Goodwill	-	1,186
Other intangible assets	(1)	33
	(1)	1,219

*continued from previous page*

	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
<b>Accumulated amortisation:</b>		
Goodwill	-	-
Other intangible assets	-	8
	-	8

*continued from previous page*

Audited 31.7.2010	Translation exchange difference RM Mil	At 31.7.2010 RM Mil
<b>At cost:</b>		
Goodwill	-	1,186
Other intangible assets	-	33
	-	1,219

*continued from previous page*

	Translation exchange difference RM Mil	At 31.7.2010 RM Mil
<b>Accumulated amortisation:</b>		
Goodwill	-	-
Other intangible assets	-	9
	-	9

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## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 6. INTANGIBLE ASSETS (continued)

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
<b>Net book value:</b>				
Goodwill	27	27	1,186	1,186
Other intangible assets	5	26	25	24
	32	53	1,211	1,210

Goodwill amounting to RM1,159 million is arrived at based on provisional fair values of identifiable assets, liabilities and contingent liabilities on the acquisition of OPTIMAL Group of Companies as disclosed in note 27 to the combined financial statements. As per the unaudited management accounts for the period ended 30 September 2010, the fair values of the identifiable assets, liabilities and contingent liabilities have been determined via a purchase price allocation exercise which has resulted in allocation of goodwill amounting to RM1,056 million to other intangible assets.

**Impairment review of goodwill**

For the purpose of impairment testing, goodwill will be allocated to groups of cash-generating units which represent the lowest level within PCG Group at which the goodwill is monitored for internal management purposes.

In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use.

The recoverable amount of OPTIMAL Group of Companies was based on its value in use. The value in use was determined by using the discounted cash flow method based on management's business plan cash flow projections for 5 financial years from FY2010/11 to FY2014/15, adjusted with an estimated terminal value. The cash flow is discounted to present value using discount rate at 9%. The terminal value is computed using a multiple of projected earnings before interest, tax, depreciation and amortisation.

Based on the above, the recoverable amount of the unit was determined to be higher than its carrying amount and therefore, no impairment loss was recognised. The above estimates are sensitive in the following areas:

- (i) an increase/(decrease) of a one percentage point in discount rate used would have (decreased)/increased the recoverable amount by approximately (RM409 million)/RM404 million.
- (ii) an increase/(decrease) of a one multiple of projected earning before interest, tax, depreciation and amortisation used would have increased/(decreased) the recoverable amount by approximately RM1,085 million/(RM1,085 million).

## 7. LONG TERM RECEIVABLES

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Advances to a subsidiary of PETRONAS	50	20	-	-
Prepayment and other receivables	36	35	32	30
	86	55	32	30

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## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 8. DEFERRED TAX

The component and movements of deferred tax liabilities and assets during the financial year/period prior to offsetting are as follows:

Audited 31.3.2008	Charged/ (credited)			At 31.3.2008 RM Mil
	At 1.4.2007 RM Mil	to profit or loss RM Mil	Acquisition of subsidiaries RM Mil	
<b>Deferred tax liabilities</b>				
Property, plant and equipment	1,701	(91)	-	1,610
Others	19	(17)	-	2
	1,720	(108)	-	1,612
<b>Deferred tax assets</b>				
Reinvestment allowances	(335)	140	-	(195)
Investment tax allowances	(831)	126	-	(705)
Tax losses	(97)	26	-	(71)
Unabsorbed capital allowance	(242)	84	-	(158)
Others	(34)	(48)	-	(82)
	(1,539)	328	-	(1,211)
Net deferred tax	181	220	-	401
Audited 31.3.2009	Charged/ (Credited)			At 31.3.2009 RM Mil
	At 1.4.2008 RM Mil	to profit or loss RM Mil	Acquisition of subsidiaries RM Mil	
<b>Deferred tax liabilities</b>				
Property, plant and equipment	1,610	38	-	1,648
Others	2	18	-	20
	1,612	56	-	1,668
<b>Deferred tax assets</b>				
Reinvestment allowances	(195)	131	-	(64)
Investment tax allowances	(705)	116	-	(589)
Tax losses	(71)	21	-	(50)
Unabsorbed capital allowance	(158)	30	-	(128)
Others	(82)	58	-	(24)
	(1,211)	356	-	(855)
Net deferred tax	401	412	-	813

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 8. DEFERRED TAX (continued)

Audited 31.03.2010	At 1.4.2009 RM Mil	Charged/ (Credited) to profit or loss RM Mil	Acquisition of subsidiaries RM Mil	At 31.3.2010 RM Mil
<b>Deferred tax liabilities</b>				
Property, plant and equipment	1,648	101	-	1,749
Others	20	(17)	-	3
	<u>1,668</u>	<u>84</u>	<u>-</u>	<u>1,752</u>
<b>Deferred tax assets</b>				
Reinvestment allowances	(64)	34	-	(30)
Investment tax allowances	(589)	67	-	(522)
Tax losses	(50)	(3)	-	(53)
Unabsorbed capital allowance	(128)	(73)	-	(201)
Others	(24)	24	(270)	(270)
	<u>(855)</u>	<u>49</u>	<u>(270)</u>	<u>(1,076)</u>
Net deferred tax	<u>813</u>	<u>133</u>	<u>(270)</u>	<u>676</u>
Audited 31.7.2010	At 1.4.2010 RM Mil	Charged/ (Credited) to profit or loss RM Mil	Acquisition of subsidiaries RM Mil	At 31.7.2010 RM Mil
<b>Deferred tax liabilities</b>				
Property, plant and equipment	1,749	(15)	-	1,734
Others	3	-	-	3
	<u>1,752</u>	<u>(15)</u>	<u>-</u>	<u>1,737</u>
<b>Deferred tax assets</b>				
Reinvestment allowances	(30)	11	-	(19)
Investment tax allowances	(522)	-	-	(522)
Tax losses	(53)	-	-	(53)
Unabsorbed capital allowance	(201)	(12)	-	(213)
Others	(270)	1	-	(269)
	<u>(1,076)</u>	<u>-</u>	<u>-</u>	<u>(1,076)</u>
	<u>676</u>	<u>(15)</u>	<u>-</u>	<u>661</u>

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 8. DEFERRED TAX (continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts determined after appropriate offsetting, are as follows:

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
<b>Deferred tax assets</b>				
Deferred tax liabilities	374	358	351	355
Deferred tax assets	(710)	(646)	(842)	(842)
	<u>(336)</u>	<u>(288)</u>	<u>(491)</u>	<u>(487)</u>
<b>Deferred tax liabilities</b>				
Deferred tax liabilities	1,238	1,310	1,401	1,382
Deferred tax assets	(501)	(209)	(234)	(234)
	<u>737</u>	<u>1,101</u>	<u>1,167</u>	<u>1,148</u>

No deferred tax has been recognised for the following items:

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Capital allowances	202	230	277	292
Tax losses	365	365	344	380
Investment tax allowances	-	-	716	716
	<u>567</u>	<u>595</u>	<u>1,337</u>	<u>1,388</u>

The capital allowances, tax losses and investment tax allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the respective subsidiaries can utilise the benefits.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 9. TRADE AND OTHER INVENTORIES

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Petrochemical products:				
- Raw materials	61	29	96	117
- Finished good	268	275	578	456
	329	304	674	573
Store, spares and others	585	522	557	610
	914	826	1,231	1,183

## 10. TRADE AND OTHER RECEIVABLES

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Trade receivables	968	593	1,134	849
Other receivables, deposits and prepayments	74	84	117	105
Amount due from PETRONAS				
- Non-trade	212	210	213	1
Amount due from associates				
- Trade*	33	25	27	111
Amount due from related companies				
- Trade*	704	420	734	419
- Non-trade	87	27	5	27
Derivative assets	-	3	12	4
	2,078	1,362	2,242	1,516
Less: Impairment losses				
Trade receivables	(2)	(1)	(1)	(1)
Other receivables, deposits and prepayments	-	(1)	(4)	-
	2,076	1,360	2,237	1,515

\* Trade related transactions are in the normal course of business.

Included in amount due from related companies is an amount due from corporate shareholders of subsidiaries of RM17 million (31.3.2010: RM98 million; 31.3.2009: RM25 million; 31.3.2008: RM107 million).

Trade receivables and amount due from corporate shareholders denominated in currency other than the functional currency are as follows:

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 10. TRADE AND OTHER RECEIVABLES (continued)

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
In USD	390	295	437	546

Included in amount due from related companies are amounts that bear interest. The receivables that bear interest of 3.0% (31.3.2010: 3.0%; 31.3.2009: 3.0%; 31.3.2008: 3.2%) per annum are as follows:

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Interest bearing receivables	294	137	140	117

## 11. FUND AND OTHER INVESTMENTS

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
<b>Current</b>				
Other unquoted securities	426	139	25	20

## 12. CASH AND CASH EQUIVALENTS

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Cash and bank balances	116	46	76	109
Deposits with licensed financial institutions	4,529	6,953	7,368	6,346
Deposits with other corporations	316	82	88	149
	4,961	7,081	7,532	6,604

Included in deposits with licensed banks is an amount that is required to be maintained by PCG Group as part of the covenants for the secured USD term loans and Islamic financing facilities as disclosed in note 14. The amounts maintained in the respective years are as follows:

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Restricted deposits	223	155	89	89



## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 13. MINORITY SHAREHOLDERS' INTERESTS

This consists of the minority shareholders' proportion of equity and reserves of partially owned subsidiaries.

## 14. BORROWINGS

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
<b>Current</b>				
<b>Secured</b>				
Term loans (USD)	127	72	73	72
Islamic financing facilities	49	50	92	92
	176	122	165	164
<b>Unsecured</b>				
Term loans (USD)	160	108	7	4
Revolving credits (USD)	-	4	-	-
Revolving credits (RM)	-	202	398	231
Bankers' acceptance	60	48	-	45
PETRONAS loans and advances	159	261	53	170
	379	623	458	450
	555	745	623	614
<b>Non-current</b>				
<b>Secured</b>				
Term loans (USD)	62	-	256	249
Islamic financing facilities	50	-	338	339
	112	-	594	588
<b>Unsecured</b>				
Term loans (USD)	131	42	23	22
PETRONAS loans and advances	644	487	587	616
Related company's advance (USD)	80	57	50	48
	855	586	660	686
	967	586	1,254	1,274
	1,522	1,331	1,877	1,888

**Term loans**

Loan (USD) is from a combination of banks and other corporations which bears interest rate of 0.92% to 1.53% (31.3.2010: 1.12% to 4.10%; 31.3.2009: 1.44% to 6.48%; 31.3.2008: 5.08% to 6.48%) per annum.

**Islamic financing facilities**

Islamic securities bear profit margin of 5.03% to 6.00% (31.3.2010: 5.03% to 6.00%; 31.3.2009: 4.60%; 31.3.2008: 4.22% to 4.60%) per annum.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 14. BORROWINGS (continued)

*Revolving credits*

Revolving credits are unsecured and as at reporting date bear interest rates ranging from 2.79% to 3.50% (31.3.2010: 2.30% to 3.35%; 31.3.2009: 2.64% to 7.90%; 31.3.2008: 4.50%) per annum.

*Bankers' acceptance*

Bankers' acceptances bear interest at rates ranging from 2.85% to 3.00% (31.3.2010: Nil; 31.3.2009: 2.35% to 3.25%; 31.3.2008: 3.45% to 4.50%) per annum.

*Loans and advances*

PETRONAS loans and advances bear interest rates ranging from 3.20% to 5.00% (31.3.2010: 3.10% to 5.00%; 31.3.2009: 3.10% to 5.00%; 31.3.2008: 4.62% to 5.00%) per annum.

PETRONAS' advance amounting to RM107 million (31.3.2010: RM106 million; 31.3.2009: RM101 million; 31.3.2008: RM161 million) is interest free. In compliance with FRS 139 reporting requirements, interest is computed using the assumptions of a notional interest rate of 3.89% (31.3.2010: 3.89%; 31.3.2009: 3.89%; 31.3.2008: Nil) per annum.

Related company's advance is a long-term loan obtained from PETRONAS International Corporation Limited. It consists of interest bearing and non interest bearing loans, both of which are unsecured. The interest bearing portion amounting to USD7 million bears interest at the rate of LIBOR plus 1%, 1.75% (31.3.2010: 1.43% to 2.78%; 31.3.2009: 2.78% to 5.65%; 31.3.2008: 5.65% to 6.16%) per annum and the remaining USD18 million is interest free.

## 15. TRADE AND OTHER PAYABLES

	Audited			
	31.3.2008	31.3.2009	31.3.2010	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil
Trade payables	539	309	530	260
Other payables	456	362	339	178
Amount due to PETRONAS				
- Trade*	608	2,029	3,786	2,047
- Non trade	3	3	3	31
Amount due to related companies				
- Trade*	63	162	61	56
- Non trade	1	1	2	44
Accrued payables	63	30	8	5
Derivative liabilities	2	-	5	5
	1,735	2,896	4,734	2,626

\* Trade related transactions are in the normal course of business.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 16. OPERATING PROFIT

	Audited			Unaudited	Audited
	Financial year ended			4 months period ended	
	31.3.2008	31.3.2009	31.3.2010	31.7.2009	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
<i>Included in operating profit are the following charges:</i>					
Staff cost	415	470	524	134	150
Contribution to PETRONAS retirement benefits	11	11	-	-	-
<i>and credits:</i>					
Negative goodwill	-	-	175	-	-
Interest income	206	228	168	51	59

## 17. TAX EXPENSE

	Audited			Unaudited	Audited
	Financial year ended			4 months period ended	
	31.3.2008	31.3.2009	31.3.2010	31.7.2009	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
Current tax expense	1,271	550	641	116	295
Deferred tax expense:					
- Origination and reversal of temporary differences	220	412	133	37	(15)
	1,491	962	774	153	280

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 17. TAX EXPENSE (continued)

A reconciliation of income tax credit applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of PCG Group is as follows:

	Audited					
	Financial year ended					
	31.3.2008		31.3.2009		31.3.2010	
%	RM Mil	%	RM Mil	%	RM Mil	
Profit before taxation	100	6,120	100	4,411	100	3,368
Taxation at Malaysian statutory tax rate	26	1,591	25	1,103	25	842
Effect of different tax rates in foreign jurisdiction	-	-	-	2	-	(1)
Non deductible expenses	-	30	1	26	1	47
Tax exempt income	-	(16)	-	(3)	(1)	(55)
Tax incentives	-	(14)	-	(3)	(1)	(19)
Group tax relief	-	(11)	(3)	(134)	-	(15)
Others	(2)	(89)	(1)	(29)	(1)	(25)
Tax expense	24	1,491	22	962	23	774

	Unaudited		Audited	
	4 months period ended			
	31.7.2009		31.7.2010	
%	RM Mil	%	RM Mil	
Profit before taxation	100	740	100	1,218
Taxation at Malaysian statutory tax rate	25	185	25	305
Effect of different tax rates in foreign jurisdiction	-	(1)	-	(1)
Effect of changes in tax rates	-	-	-	-
Non deductible expenses	1	7	-	4
Tax exempt income	-	-	-	(2)
Tax incentives	-	-	-	-
Group tax relief	-	-	-	-
Utilisation of deferred tax benefits previously not recognised	-	-	-	-
Others	(5)	(38)	(2)	(26)
Tax expense	21	153	23	280

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 17. TAX EXPENSE (continued)

The corporate tax rates are 26% for year of assessment 2008, 25% for year of assessment 2009 and the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

## 18. BASIC EARNINGS PER ORDINARY SHARES

The calculation of basic earnings per ordinary shares was based on the profit attributable to PETRONAS and number of ordinary shares of PETRONAS as follows:

	Audited			Unaudited	Audited
	Financial year ended			4 months period ended	
	31.3.2008	31.3.2009	31.3.2010	31.7.2009	31.7.2010
<b>In RM millions</b>					
Profit for the year/period attributable to PETRONAS	3,925	2,818	2,199	505	814
<b>In thousands of shares</b>					
Number of ordinary shares	100	100	100	100	100
<b>In RM'000</b>					
Basic earnings per ordinary share	39	28	22	5	8

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 19. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

PCG Group includes the following subsidiaries, associates and jointly controlled entities of PETRONAS:

Name of Company	PETRONAS effective ownership interest (%)				Principal activities
	31.3.2008	31.3.2009	31.3.2010	31.7.2010	
<i>Subsidiaries</i>					
PCG	100	100	100	100	Dormant. It intends to undertake investment holding activities in the near future
OPTIMAL Chemicals	50	50	100	100	Manufacturing and marketing of ethylene oxide derivatives, propylene derivative products and related chemical products
OPTIMAL Glycols	50	50	100	100	Manufacturing and marketing of ethylene oxide, ethylene glycol and other related by-products
MTBE Malaysia	100	100	100	100	Manufacturing and selling of methyl tertiary butyl ether (MTBE), propylene and n-Butane
MITCO	100	100	100	100	Marketing of petrochemical products
PETRONAS Methanol	100	100	100	100	Processing of natural gas into methanol and sale of methanol
PETRONAS Fertilizer	100	100	100	100	Production and sale of urea, ammonia and methanol
Polypropylene Malaysia	100	100	100	100	Manufacturing and marketing of polypropylene
PETRONAS Ammonia	100	100	100	100	Production and sale of ammonia, syngas and carbon monoxide
Vinyl Chloride (Malaysia)	100	100	100	100	Manufacturing, marketing and distribution of vinyl chloride monomer (VCM) and polyvinyl chloride
Kertih Port	100	100	100	100	Owning, operating and managing the Kertih Marine Facilities

OPTIMAL Chemicals and OPTIMAL Glycols were accounted for as jointly controlled entities in 2008 and 2009.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 19. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (continued)

Name of Company	PETRONAS effective ownership interest (%)				Principal activities
	31.3.2008	31.3.2009	31.3.2010	31.7.2010	
<i>Subsidiaries</i>					
Phu My	93.11	93.11	93.11	93.11	Manufacturing, buying, importing, distributing, selling and exporting of polyvinyl chloride (PVC) resin and other related chemical products
OPTIMAL Olefins	64.25	64.25	88.00	88.00	Manufacturing and marketing of ethylene, propylene and other hydrocarbon by-products
Ethylene Malaysia	72.50	72.50	72.50	72.50	Manufacturing and sale of ethylene
ASEAN Bintulu Fertilizer	63.47	63.47	63.47	63.47	Production and sale of ammonia and urea
Aromatics Malaysia	70	70	70	70	Production of paraxylene, benzene and other by-products
PETLIN	60	60	60	60	Manufacturing and marketing of low-density polyethylene pellets
<i>Associates</i>					
BASF PETRONAS Chemicals	40	40	40	40	Manufacturing and marketing of acrylic, oxo and butanediol products
Kertih Terminals	40	40	40	40	Provision of bulk chemical storage and handling services
Idemitsu SM	30	30	30	30	Manufacturing and marketing of ethylbenzene, styrene monomer, toluene and benzene toluene (BT) mixture
Malaysian NPK Fertilizer	20	20	20	20	Manufacturing and sale of NPK fertilizer products

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 19. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (continued)

Name of Company	PETRONAS effective ownership interest (%)				Principal activities
	31.3.2008	31.3.2009	31.3.2010	31.7.2010	
<i>Jointly Controlled Entities</i>					
Polyethylene Malaysia	40	40	40	40	Manufacturing and sale of polyethylene
BP PETRONAS Acetyls	30	30	30	30	Manufacturing of acetic acid

All the companies are incorporated in Malaysia except for Phu My which is incorporated in Vietnam.

## 20. COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of each reporting period not provided for in the combined financial statements are:

	Audited			
	31.3.2008 RM Mil	31.3.2009 RM Mil	31.3.2010 RM Mil	31.7.2010 RM Mil
<b>Property, plant and equipment</b>				
Approved and contracted for	641	732	200	145
Approved but not contracted for	709	757	614	631
	1,350	1,489	814	776

## 21. RELATED PARTIES DISCLOSURES

## (a) Key management personnel compensation

Key management personnel compensations are included in management fees paid to PETRONAS for the services of all key management personnel of PCG Group.

## (b) Significant transactions with related parties

For the purposes of these combined financial statements, parties are considered to be related to PCG Group if PETRONAS has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where PCG Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.



## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 21. RELATED PARTIES DISCLOSURES (continued)

## (b) Significant transactions with related parties (continued)

Significant transactions with other state controlled enterprises that are not subsidiaries, associates or jointly controlled entities of PETRONAS are not disclosed by virtue of the exemption given by FRS 124.

In addition to the transactions detailed elsewhere in the combined financial statements, PCG Group had the following transactions with related parties during the financial year/period:

	Transactions amount for the financial year/period				
	Audited			Unaudited	Audited
	Financial year ended			4 months period ended	
	31.3.2008	31.3.2009	31.3.2010	31.7.2009	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
<b>PETRONAS:</b>					
Purchase of processed gas and natural gas	(1,001)	(2,148)	(2,813)	(781)	(1,214)
Management fees	(6)	(6)	(6)	(2)	(2)
Interest expense	(25)	(30)	(26)	(9)	(8)
<b>Subsidiaries of PETRONAS:</b>					
Sales of petrochemical products	2,515	2,376	1,998	417	804
Purchase of heavy naphtha	(2,030)	(2,121)	(1,824)	(478)	(386)
Purchase of petrochemical products	(599)	(493)	(492)	(134)	(179)
Purchase of processed gas and natural gas	(119)	(136)	(108)	(71)	(11)
Purchase of utilities and raw materials	(279)	(324)	(466)	(97)	(190)
Upgrading and pipeline works expenses	(252)	(121)	(119)	(40)	-
Training and development related costs	(13)	(15)	(14)	(4)	(3)
Purchase of warehouse and transportation services	(11)	(13)	(33)	(13)	(8)
Grant for the right of usage of facilities	8	8	10	5	1

## 9. ACCOUNTANTS' REPORT (cont'd)



## A HISTORICAL FINANCIAL INFORMATION (continued)

## 21. RELATED PARTIES DISCLOSURES (continued)

## (b) Significant transactions with related parties (continued)

	Transactions amount for the financial year/period				
	Audited			Unaudited	Audited
	Financial year ended			4 months period ended	
	31.3.2008	31.3.2009	31.3.2010	31.7.2009	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
<b>Associates and jointly controlled entities of PETRONAS/PCG Group:</b>					
Sales of petrochemical products	3,250	2,787	1,822	517	786
Facility charges	12	12	13	4	4
Purchase of petrochemical products	(88)	(121)	(138)	(37)	(69)
Purchase of warehouse and transportation services	(32)	(33)	(34)	(11)	(41)
<b>Corporate shareholders of PCG Group:</b>					
Sales of petrochemical products	784	565	671	173	88
Commission paid	(18)	(17)	(19)	(4)	(3)

The terms and conditions for the above transactions are based on negotiated terms. All the amounts outstanding are unsecured and expected to be settled with cash. The balances may also be subjected to interest charge up to 3.2% per annum.

Information regarding outstanding balances arising from related party transactions are disclosed in note 10 and note 15.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 22. OPERATING SEGMENTS

For management purposes, PCG Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- Olefins and Polymers - activities include the supply and trading, manufacturing, marketing and transportation of a wide range of olefin and polymer products, which are used as basic feedstock for other products, to intermediate products including basic and high performance chemicals.
- Fertilisers and Methanol - activities include producing and selling methanol and a range of nitrogen, phosphate and compound fertilisers.
- Other - other businesses that supports the petrochemicals' business operations.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the combined financial statements.

Performance is measured based on segment profit after tax as included in the internal management reports that are reviewed by the Executive Committee of PETRONAS, who is PCG Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

**Segment assets**

The total of segment assets are measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Executive Committee of PETRONAS. Segment total asset is used to measure the return of assets of each segment.

**Segment liabilities**

PCG Group segment liabilities are measured and managed on a group basis and are not allocated to operating segments.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 22. OPERATING SEGMENTS (continued)

Audited 31.3.2008	Olefins and Polymer RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
<b>Segment profit</b>	3,504	1,040	85	-	4,629
<i>Included in the measure of segment profit are:</i>					
Revenue from external customers*	10,016	2,722	117	-	12,855
Inter-segment revenue	4	-	36	(40)	-
Depreciation and amortisation	(450)	(171)	(12)	-	(633)
Interest income	146	59	1	-	206
Financing costs	(81)	-	-	-	(81)
Share of profit of associates and jointly controlled entities	195	40	38	-	273
Tax expense	(1,056)	(419)	(16)	-	(1,491)
<b>Segment assets</b>	13,937	6,614	943	(5)	21,489
<i>Included in the measure of segment assets are:</i>					
Investment in associates	857	12	144	-	1,013
Investment in joint controlled entities	957	119	-	-	1,076
Additions to non-current assets other than financial instruments and deferred tax assets**	550	1,101	-	-	1,651

\* External customers include PETRONAS and certain PETRONAS subsidiaries.

\*\* Included in additions to non-current assets other than financial instruments and deferred tax assets is the net book value of the property, plant and equipments and intangible assets from acquisition of subsidiaries.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 22. OPERATING SEGMENTS (continued)

Audited 31.3.2009	Olefins and Polymer RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
<b>Segment profit</b>	2,018	1,344	87	-	3,449
<i>Included in the measure of segment profit are:</i>					
Revenue from external customers	8,590	3,705	72	-	12,367
Inter-segment revenue	7	-	39	(46)	-
Depreciation and amortisation	(503)	(172)	(12)	-	(687)
Interest income	134	93	1	-	228
Financing costs	(49)	-	(8)	-	(57)
Share of profit/(loss) of associates and jointly controlled entities	(28)	14	39	-	25
Tax expense	(473)	(474)	(15)	-	(962)
<b>Segment assets</b>	13,418	8,905	916	(5)	23,234
<i>Included in the measure of segment assets are:</i>					
Investment in associates	761	21	137	-	919
Investment in joint controlled entities	1,019	122	-	-	1,141
Additions to non-current assets other than financial instruments and deferred tax assets	516	746	-	-	1,262

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 22. OPERATING SEGMENTS (continued)

Audited 31.3.2010	Olefins and Polymer RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
<b>Segment profit</b>	2,048	291	255	-	2,594
<i>Included in the measure of segment profit are:</i>					
Revenue from external customers	9,255	2,886	62	-	12,203
Inter-segment revenue	6	52	37	(95)	-
Depreciation and amortisation	(619)	(266)	(11)	-	(896)
Interest income	89	78	1	-	168
Financing costs	(50)	(7)	(5)	-	(62)
Share of profit of associates and jointly controlled entities	126	13	42	-	181
Tax expense	(619)	(143)	(12)	-	(774)
<b>Segment assets</b>	16,371	8,422	2,124	(25)	26,892
<i>Included in the measure of segment assets are:</i>					
Investment in associates	686	25	111	-	822
Investment in joint controlled entities	23	84	-	-	107
Additions to non-current assets other than financial instruments and deferred tax assets	3,517	501	-	-	4,018

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 22. OPERATING SEGMENTS (continued)

Unaudited 31.7.2009	Olefins and Polymer RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
Segment profit	414	143	30	-	587
<i>Included in the measure of segment profit are:</i>					
Revenue from external customers	2,315	919	18	-	3,252
Inter-segment revenue	-	-	14	(14)	-
Depreciation and amortisation	(171)	(79)	(4)	-	(254)
Interest income	26	25	-	-	51
Financing costs	(13)	(2)	(1)	-	(16)
Share of profit of associates and jointly controlled entities	35	8	13	-	56
Tax expense	(106)	(42)	(5)	-	(153)

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 22. OPERATING SEGMENTS (continued)

Audited 31.7.2010	Olefins and Polymer RM Mil	Fertilisers and Methanol RM Mil	Others RM Mil	Elimination and adjustment RM Mil	Total RM Mil
<b>Segment profit</b>	891	17	30	-	938
<i>Included in the measure of segment profit are:</i>					
Revenue from external customers	3,183	1,008	27	-	4,218
Inter-segment revenue	16	-	12	(28)	-
Depreciation and amortisation	(231)	(105)	(4)	-	(340)
Interest income	35	24	-	-	59
Financing costs	(20)	(3)	(1)	-	(24)
Share of profit of associates and jointly controlled entities	158	-	14	-	172
Tax expense	(243)	(32)	(5)	-	(280)
<b>Segment assets</b>	15,245	7,981	1,866	(28)	25,064
<i>Included in the measure of segment assets are:</i>					
Investment in associates	764	29	125	-	918
Investment in joint controlled entities	23	76	-	-	99
Additions to non-current assets other than financial instruments and deferred tax assets	35	137	-	-	172



## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 22. OPERATING SEGMENTS (continued)

## Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including long term receivables, investment in associates and jointly controlled entities) and deferred tax assets.

Geographical information	Revenue RM Mil	Non- current assets RM Mil
<b>Audited</b>		
<b>31.3.2008</b>		
Malaysia	7,280	10,475
Asia:		
- China	929	-
- others	3,849	124
Rest of the world	797	-
	12,855	10,599
<b>Audited</b>		
<b>31.3.2009</b>		
Malaysia	5,990	11,036
Asia:		
- China	915	-
- others	4,778	138
Rest of the world	684	-
	12,367	11,174
<b>Audited</b>		
<b>31.3.2010</b>		
Malaysia	5,472	14,088
Asia:		
- China	1,734	-
- others	4,687	115
Rest of the world	310	-
	12,203	14,203

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 22. OPERATING SEGMENTS (continued)

Geographical information	Revenue RM Mil	Non- current assets RM Mil
<b>Unaudited</b>		
<b>31.7.2009</b>		
Malaysia	1,511	11,007
Asia:		
- China	319	-
- others	1,410	130
Rest of the world	12	-
	3,252	11,137
<b>Audited</b>		
<b>31.7.2010</b>		
Malaysia	1,908	13,911
Asia:		
- China	745	-
- others	1,449	109
Rest of the world	116	-
	4,218	14,020

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 22. OPERATING SEGMENTS (continued)

## By products and services

The following are revenue from external customers by product and service:

	Audited			Unaudited	Audited
	For financial year ended			4 months period ended	
	31.3.2008	31.3.2009	31.3.2010	31.7.2009	31.7.2010
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
Paraxylene	1,804	1,811	1,778	571	369
Urea	1,390	2,100	1,342	451	424
Ethylene	1,861	1,523	1,201	310	388
Polyethylene – LDPE, LLDPE & HDPE	1,276	1,245	1,043	224	405
Methanol	716	662	918	297	390
PVC	745	755	809	260	206
MTBE	877	517	808	255	275
Propylene	1,116	1,090	801	225	328
Performance and other chemicals	-	-	634	-	460
Benzene	949	637	620	168	127
Ethylene glycols	3	8	530	5	262
Ammonia	377	702	392	109	138
Other petrochemical products	335	374	349	87	82
Polypropylene	290	219	315	87	126
Carbon monoxide	207	205	234	55	56
N-butane	281	162	197	60	74
VCM	479	249	170	63	81
Rendering of services	57	57	59	17	13
Sales of general merchandise	60	15	3	1	14
Oxogas	32	36	-	7	-
	12,855	12,367	12,203	3,252	4,218

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS

## Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Loans and receivables ("L&R");
- (ii) Fair value through profit or loss ("FVTPL");
  - Held for trading ("HFT"); or
  - Designated upon initial recognition ("DUIR");
- (iii) Available-for-sale financial assets ("AFS");
- (iv) Loans and borrowings ("L&B").

Audited		L&R/ (L&B)	FVTPL - DUIR	FVTPL - HFT	Total carrying amount
31.3.2010	Note	RM Mil	RM Mil	RM Mil	RM Mil
<b>Financial assets</b>					
Fund and other investments	11	-	25	-	25
Trade and other receivables*	10	1,975	-	12	1,987
Cash and cash equivalents	12	7,532	-	-	7,532
		<u>9,507</u>	<u>25</u>	<u>12</u>	<u>9,544</u>
<b>Financial liabilities</b>					
Borrowings	14	(1,877)	-	-	(1,877)
Other long term liabilities*		-	-	(2)	(2)
Trade and other payables*	15	(4,550)	-	(5)	(4,555)
		<u>(6,427)</u>	<u>-</u>	<u>(7)</u>	<u>(6,434)</u>
<b>Audited</b>					
<b>31.7.2010</b>					
<b>Financial assets</b>					
Fund and other investments	11	-	20	-	20
Trade and other receivables*	10	1,473	-	4	1,477
Cash and cash equivalents	12	6,604	-	-	6,604
		<u>8,077</u>	<u>20</u>	<u>4</u>	<u>8,101</u>
<b>Financial liabilities</b>					
Borrowings	14	(1,888)	-	-	(1,888)
Other long term liabilities*		-	-	(3)	(3)
Trade and other payables*	15	(2,545)	-	(5)	(2,550)
		<u>(4,433)</u>	<u>-</u>	<u>(8)</u>	<u>(4,441)</u>

\* These balances exclude non-financial instruments balances which are not within the scope of FRS 139, *Financial Instruments: Recognition and Measurement*.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

**Categories of financial instruments (continued)**

Fund and other investments have been designated upon initial recognition as at fair value through profit or loss as management internally monitors these investments on fair value basis.

PETRONAS adopted FRS 7, *Financial Instruments*: Disclosures with effect from 1 April 2009. Hence, comparative figures have not been presented for 31 March 2009 and 31 March 2008 by virtue of the exemption given in paragraph 44AA of FRS 7, *Financial Instruments: Disclosures*.

**Financial risk management**

PCG Group is exposed to various financial risks that are particular to its core business of petrochemical. These risks, which arise in the normal course of PCG Group's business, comprises credit risk, liquidity risk and market risks relating to interest rates, foreign currency exchange rates and commodity prices.

PCG Group complies with PETRONAS Group Risk Management Framework and Guideline that sets the foundation for the establishment of effective risk management across the PETRONAS Group.

PCG Group's goal in risk management is to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing PCG Group. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

**Credit risk**

Credit risk is the potential exposure of PCG Group to losses in the event of non-performance by counterparties. PCG Group's exposures to credit risk arise principally from its receivables from customers and funds and other investments. Credit risks are controlled by individual operating units in line with the PETRONAS Group Risk Management Framework and Guideline.

**Receivables**

PCG Group minimises credit risk by entering into contracts with highly credit rated counterparties. Potential counterparties are subject to credit assessment and approval prior to any transaction being concluded and existing counterparties are subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are regularly prepared and presented to the management that cover PCG Group's overall credit exposure against limits and securities, exposure by segment and overall quality of the portfolio.

Depending on the types of transactions and counterparty creditworthiness, PCG Group further mitigates and limits risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit or bank guarantees.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions. PCG Group's significant concentration of credit risk for receivables at the end of the reporting date by business is as follow:

	<b>Audited</b>	
	<b>31.3.2010</b>	<b>31.7.2010</b>
	<b>RM Mil</b>	<b>RM Mil</b>
Olefins and Polymers	1,599	1,173
Fertilisers and Methanol	357	286
Others	19	14
	<u>1,975</u>	<u>1,473</u>

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. PCG Group uses ageing analysis to monitor the credit quality of the receivables.

The ageing of receivables and amount due from PETRONAS, related companies and associates trade in nature at net of impairment amount as at the end of the reporting period is analysed below.

	<b>Audited</b>	
	<b>31.3.2010</b>	<b>31.7.2010</b>
	<b>RM Mil</b>	<b>RM Mil</b>
<b>At net</b>		
Current	1,678	1,287
Past due 1 to 30 days	163	66
Past due 31 to 60 days	25	9
Past due 61 to 90 days	21	1
Past due more than 90 days	7	15
	<u>1,894</u>	<u>1,378</u>

With respect to PCG Group's receivables, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

***Fund and other investment***

PCG Group has a Group Treasury Investment Guideline that defines the parameters within which the investment activities shall be undertaken in order to achieve PCG Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters. In accordance with the guideline, investments are only allowed with highly credit rated counterparties.

The treasury function undertakes a credit risk management activity similar to the credit management and monitoring procedures for receivables.

As at the reporting date, all PCG Group investments are in domestic market.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

*Fund and other investment (continued)*

The fund and other investments are unsecured, however, in view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

*Liquidity Risk*

Liquidity risk is the risk that suitable sources of funding for PCG Group's business activities may not be available. In managing its liquidity risk, PETRONAS monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance PETRONAS' operations and to mitigate the effects of fluctuations in cash flows.

PCG Group's financial liabilities comprise trade and other payables and borrowings.

*Maturity analysis*

The table below summarises the maturity profile of the PCG Group's financial liabilities as at the reporting date based on undiscounted contractual payments:

Audited 31.3.2010	Carrying amount RM Mil	Effective interest rates per annum %	Contractual cash flows RM Mil	Within 1 year RM Mil
<b>Financial liabilities</b>				
<i>Loans and borrowings</i>				
<b>Secured term loans</b>				
USD floating rate loan	329	1.70	339	78
<b>Unsecured term loans</b>				
USD floating rate loan	30	1.56	30	7
<b>Unsecured revolving credits</b>				
RM revolving credits	398	2.89	399	399
<b>Secured Islamic financing facilities</b>				
RM Islamic financing facilities	430	5.60	502	114
PETRONAS loans and advances*	640	3.58	727	61
USD related company's advances**	50	2.11	82	-
Trade and other payables	4,550	-	4,550	4,550
<b>Fair value through profit or loss – held for trading</b>				
Derivative liabilities	7	-	7	5
	6,434		6,636	5,214

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\* Includes interest free advances of RM106 million.

\*\* Includes interest free advances of USD18 million.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

## Liquidity Risk (continued)

## Maturity analysis (continued)

Audited 31.3.2010	1-2 years RM Mil	2-5 years RM Mil	More than 5 years RM Mil
<b>Financial liabilities</b>			
<i>Loans and borrowings</i>			
<b>Secured term loans</b>			
USD floating rate loan	179	82	-
<b>Unsecured term loans</b>			
USD floating rate loan	7	16	-
<b>Unsecured revolving credits</b>			
RM revolving credits	-	-	-
<b>Secured Islamic financing facilities</b>			
RM Islamic financing facilities	84	304	-
PETRONAS loans and advances*	28	296	342
USD related company's advances**	-	-	82
Trade and other payables	-	-	-
<b>Fair value through profit or loss – held for trading</b>			
Derivative liabilities	2	-	-
	300	698	424

*continued from previous page*



## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

## Liquidity Risk (continued)

## Maturity analysis (continued)

Audited 31.7.2010	Carrying amount RM Mil	Effective interest rates per annum %	Contractual cash flows RM Mil	Within 1 year RM Mil
<b>Financial liabilities</b>				
<i>Loans and borrowings</i>				
<b>Secured term loans</b>				
USD floating rate loan	321	0.92	330	76
<b>Unsecured term loans</b>				
USD floating rate loan	26	1.53	28	8
<b>Unsecured revolving credits</b>				
RM revolving credits	231	3.31	232	232
<b>Unsecured bankers' acceptance</b>				
RM bankers' acceptance	45	2.88	45	45
<b>Secured Islamic financing facilities</b>				
RM Islamic financing facilities	431	5.60	502	114
PETRONAS loans and advances*	786	3.55	891	191
USD related company's advances**	48	1.75	80	-
Trade and other payables	2,545	-	2,545	2,545
<b>Fair value through profit or loss – held for trading</b>				
Derivative liabilities	8	-	8	5
	<u>4,441</u>		<u>4,661</u>	<u>3,216</u>

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\* Includes interest free advances amounts of RM107 million.

\*\* Includes interest free advances amounts of USD18 million.

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

## Liquidity Risk (continued)

## Maturity analysis (continued)

Audited 31.7.2010	1-2 years RM Mil	2-5 years RM Mil	More than 5 years RM Mil
<b>Financial liabilities</b>			
<i>Loans and borrowings</i>			
<b>Secured term loans</b>			
USD floating rate loan	174	80	-
<b>Unsecured term loans</b>			
USD floating rate loan	8	12	-
<b>Unsecured revolving credits</b>			
RM revolving credits	-	-	-
<b>Unsecured bankers' acceptance</b>			
RM bankers' acceptance	-	-	-
<b>Secured Islamic financing facilities</b>			
RM Islamic financing facilities	84	304	-
PETRONAS loans and advances*	71	349	280
USD related company's advances**	-	-	80
Trade and other payables	-	-	-
<b>Fair value through profit or loss – held for trading</b>			
Derivative liabilities	3	-	-
	340	745	360

*continued from previous page*

## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

## Effective interest rates and repricing analysis

In respect interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of each reporting period and the period in which they reprice or mature, whichever is earlier.

Audited 31.3.2008	Carrying amount RM Mil	Effective interest rates per annum %	Within 1 year RM Mil
<b>Financial assets</b>			
Fund and other investment	426	3.50	426
Deposits with licensed financial institutions and other corporations	4,845	3.34	4,845
Long term receivables	50	4.12	-
<b>Financial liabilities</b>			
<b>Secured term loans</b>			
USD floating rate loan	189	5.54	189
<b>Unsecured term loans</b>			
USD floating rate loan	291	5.25	291
<b>Unsecured banker's acceptance</b>			
RM bankers' acceptance	60	3.98	60
<b>Secured Islamic financing facilities</b>			
RM Islamic financing facilities	99	4.41	49
PETRONAS loans and advances	642	4.74	159
USD floating rate related company's advances	22	5.91	22

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## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

## Effective interest rates and repricing analysis (continued)

Audited 31.3.2008	1-2 years RM Mil	2-5 years RM Mil	More than 5 years RM Mil
<b>Financial assets</b>			
Fund and other investment	-	-	-
Deposits with licensed financial institutions and other corporations	-	-	-
Long term receivables	-	50	-
<b>Financial liabilities</b>			
<b>Secured term loans</b>			
USD floating rate loan	-	-	-
<b>Unsecured term loans</b>			
USD floating rate loan	-	-	-
<b>Unsecured banker's acceptance</b>			
RM bankers' acceptance	-	-	-
<b>Secured Islamic financing facilities</b>			
RM Islamic financing facilities	50	-	-
PETRONAS loans and advances	56	206	221
USD floating rate related company's advances	-	-	-

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## 9. ACCOUNTANTS' REPORT (cont'd)



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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

## Effective interest rates and repricing analysis (continued)

Audited 31.3.2009	Carrying amount RM Mil	Effective interest rates per annum %	Within 1 year RM Mil
<b>Financial assets</b>			
<i>Fair value through profit or loss</i>			
Fund and other investment	139	3.49	139
<i>Loans and receivables</i>			
Deposits with licensed financial institutions and other corporations	7,035	2.34	7,035
Long term receivables	20	4.23	-
<b>Financial liabilities</b>			
<i>Loans and borrowings</i>			
<b>Secured term loans</b>			
USD floating rate loan	72	3.83	72
<b>Unsecured term loans</b>			
USD floating rate loan	150	3.69	150
<b>Unsecured revolving credits</b>			
USD revolving credits	4	6.85	4
RM revolving credits	202	3.43	202
<b>Unsecured bankers' acceptance</b>			
RM bankers' acceptance	48	2.80	48
<b>Secured Islamic financing facilities</b>			
RM Islamic financing facilities	50	4.60	50
PETRONAS loans and advances	647	4.17	261
USD floating rate related company's advances	25	4.22	25

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## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

## Effective interest rates and repricing analysis (continued)

Audited 31.3.2009	1-2 years RM Mil	2-5 years RM Mil	More than 5 years RM Mil
<b>Financial assets</b>			
<i>Fair value through profit or loss</i>			
Fund and other investment	-	-	-
<i>Loans and receivables</i>			
Deposits with licensed financial institutions and other corporations	-	-	-
Long term receivables	-	20	-
<b>Financial liabilities</b>			
<i>Loans and borrowings</i>			
<b>Secured term loans</b>			
USD floating rate loan	-	-	-
<b>Unsecured term loans</b>			
USD floating rate loan	-	-	-
<b>Unsecured revolving credits</b>			
USD revolving credits	-	-	-
RM revolving credits	-	-	-
<b>Unsecured banker's acceptance</b>			
RM bankers' acceptance	-	-	-
<b>Secured Islamic financing facilities</b>			
RM Islamic financing facilities	-	-	-
PETRONAS loans and advances	54	127	205
USD floating rate related company's advances	-	-	-

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## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

**Market risk**

Market risk is the risk or uncertainty arising from changes in market prices and their impact on the performance of the business. The market price changes that PCG Group is exposed to include interest rates, foreign currency exchange rates, commodity price and other indices that could adversely affect the value of PCG Group's financial assets, liabilities or expected future cash flows.

**Interest rate risk**

PCG Group's investments in fixed-rate debt securities are exposed to a risk of change in their fair values due to changes in interest rates. PCG Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

In managing interest rate risk, PCG Group maintains a balanced portfolio of fixed and floating rate instruments. All interest rate exposures are monitored and managed proactively by PETRONAS Group Treasury based on Group Risk Management Framework and Guideline. PCG Group also enters into hedging transactions with respect to interest rate on selected long term borrowings and other debts.

The interest rate profile of PCG Group's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

	<b>Audited</b>	
	<b>31.3.2010</b>	<b>31.7.2010</b>
	<b>RM Mil</b>	<b>RM Mil</b>
<b>Fixed rate instruments</b>		
Financial assets	7,621	6,632
Financial liabilities	(1,155)	(1,175)
	<u>6,466</u>	<u>5,457</u>
<b>Floating rate instruments</b>		
Financial liabilities	(596)	(585)
	<u>(596)</u>	<u>(585)</u>

Since most of PCG Group's financial assets and liabilities are fixed rate instruments measured at amortised cost, any reasonable possible change in interest rate is not expected to have material impact on PCG Group's profit or loss.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

*Foreign exchange risk*

PCG Group are exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of PCG Group's cash flows are Ringgit Malaysia and US Dollars.

PCG Group's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements. PCG Group mainly rely on the natural hedge generated by the fact that most of their revenue and expenses are currently denominated in US Dollar. In addition, PCG Group, where applicable, hedge using derivative instruments in respect of current and forecasted transactions.

PCG Group's significant exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

	Audited			
	31.3.2010		31.7.2010	
	Denominated in USD RM Mil	EURO RM Mil	Denominated in USD RM Mil	EURO RM Mil
<b>Financial assets</b>				
Cash and cash equivalents	190	4	148	7
Trade and other receivables*	1,261	45	848	48
Other financial assets	12	-	4	-
	1,463	49	1,000	55
<b>Financial liabilities</b>				
Borrowings	(329)	-	(321)	-
Trade and other payables	(155)	(3)	(33)	(3)
Derivative liabilities	(7)	-	(6)	-
	(491)	(3)	(360)	(3)
<b>Net exposure</b>	972	46	640	52

\* This amount includes foreign currency risk exposure arising from intra-group balances.

Since most of PCG Group's foreign denominated financial currency financial liabilities are in US Dollar and the net exposure is not material, any reasonable possible change in the exchange rate in US Dollar is not expected to have material impact on PCG Group's profit or loss.



## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

*Commodity price risk*

PCG Group is exposed to changes in petrochemical products prices which may affect the value of PCG Group's assets, liabilities or expected future cash flows. To mitigate these exposures from a business perspective, PCG Group sells a diversified portfolio of petrochemicals products. Thus a change in commodity price is not likely to result in a significant impact on PCG Group's profit or loss and equity.

**Fair value**

The carrying amounts in respect of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair values due to the short nature of these financial instruments. The fund and other investments are categorised as fair value through profit or loss, thus the carrying amount is equivalent to its fair value.

The aggregate fair values of the other financial liabilities measured at amortised cost, together with the carrying amounts are as follows:

	Note	Audited			
		31.3.2008	31.3.2009	31.3.2008	31.3.2009
		Carrying amount	Fair value	Carrying amount	Fair Value
		RM Mil	RM Mil	RM Mil	RM Mil
<i>Loans and borrowings</i>					
Term loans	14	480	480	222	222
Islamic financing facilities	14	99	100	50	50
Revolving credit	14	-	-	206	206
Bankers' acceptance	14	60	60	48	48
PETRONAS loans and advances	14	803	831	748	775
Related company's advances	14	80	80	57	57

	Note	Audited			
		31.3.2010	31.7.2010	31.3.2010	31.7.2010
		Carrying amount	Fair Value	Carrying amount	Fair Value
		RM Mil	RM Mil	RM Mil	RM Mil
<i>Loans and borrowings</i>					
Term loans	14	359	359	347	347
Islamic financing facilities	14	430	451	431	453
Revolving credit	14	398	398	231	231
Bankers' acceptance	14	-	-	45	45
PETRONAS loans and advances	14	640	661	786	808
Related company's advances	14	50	50	48	48

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 23. FINANCIAL INSTRUMENTS (continued)

The carrying amounts of other financial assets and liabilities are not materially different to their fair values.

## Income/ expense, net gains and losses arising from financial instruments

Audited 31.3.2010	Interest income RM Mil	Interest expense RM Mil	Others RM Mil	Total RM Mil
Financial instruments at fair value through profit or loss				
- Held for trading	-	-	8	8
- Designated upon initial recognition	2	-	-	2
Loans and receivables	166	-	(63)	103
Financial liabilities at amortised cost	-	(62)	18	(44)
	168	(62)	(37)	69

Unaudited  
31.7.2009

Financial instruments at fair value through profit or loss				
- Held for trading	-	-	-	-
- Designated upon initial recognition	1	-	-	1
Loans and receivables	50	-	1	51
Financial liabilities at amortised cost	-	(16)	(1)	(17)
	51	(16)	-	35

Audited  
31.7.2010

Financial instruments at fair value through profit or loss				
- Held for trading	-	-	-	-
- Designated upon initial recognition	-	-	-	-
Loans and receivables	59	-	(14)	45
Financial liabilities at amortised cost	-	(24)	13	(11)
	59	(24)	(1)	34

Others relates to gains and losses arising from financial instruments other than interest income, interest expense and impairment loss such as realised and unrealised foreign exchange gains or losses, and fair value gains or losses.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 24. CAPITAL MANAGEMENT

PCG Group defines capital as the total equity and debt of PCG Group. The objective of PCG Group's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximises shareholder value. As a division of PETRONAS, PCG Group's approach in managing capital is set out in the PETRONAS Group Corporate Financial Policy.

PCG Group monitors and maintains a prudent level of total debt to total assets ratio to optimise shareholder value and to ensure compliance with covenants.

There were no changes in PCG Group's approach to capital management during the period.

## 25. FRS, INTERPRETATION AND AMENDMENTS TO FRS YET IN EFFECT

The following new and revised FRSs, statement of interpretations and amendments to FRS and statement of interpretations (collectively referred to as "pronouncements") from the Malaysian Accounting Standards Board will become effective for future financial reporting periods and have not yet been adopted by PCG Group.

*Effective for annual periods beginning on or after 1 July 2010*

FRS 3	<i>Business Combinations (Revised)</i>
FRS 127	<i>Consolidated and Separate Financial Statements (Revised)</i>
Amendment to FRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
Amendment to FRS 8	<i>Operating Segments</i>
Amendment to FRS 127	<i>Consolidated and Separate Financial Statements</i>
Amendment to FRS 138	<i>Intangible Assets</i>
Amendments to IC 9	<i>Reassessment of Embedded Derivatives</i>

*Effective for annual periods beginning on or after 1 January 2011*

Amendment to FRS 1	<i>First-time Adoption of Financial Reporting Standard - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters</i>
Amendments to FRS 7	<i>Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments</i>
IC Interpretation 4	<i>Determining whether an arrangement contains a lease</i>
IC Interpretation 18	<i>Transfer of Assets from Customers</i>

Initial application of the above pronouncements for PCG Group will be effective from the annual period beginning 1 April 2011 for pronouncements which are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011.

The adoption of the above FRSs, amendments to FRSs and statement of interpretations are not expected to have any material impact on the combined financial statements of PCG Group in the period of initial application.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
Accountants' Report  
21 October 2010

## A HISTORICAL FINANCIAL INFORMATION (continued)

## 26. FRS, INTERPRETATIONS AND AMENDMENTS TO FRS AND INTERPRETATIONS NOT APPLICABLE TO PCG GROUP

The MASB has issued statement of interpretations and amendments to FRSs which are effective for annual period beginning on or after 1 July 2010, but for which are not relevant to the operations of PCG Group and hence, no further disclosure is warranted:

Amendment to FRS 2	<i>Share-based Payment; Vesting Conditions and Cancellations</i>
Amendment to FRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
IC Interpretation 12	<i>Service Concession Agreements</i>
IC Interpretation 15	<i>Agreements for the Construction of Real Estate</i>
IC Interpretation 16	<i>Hedges of a Net investment in a Foreign Operation</i>
IC Interpretation 17	<i>Distribution of Non-cash Assets to Owner</i>

## 27. ACQUISITIONS OF PARTICIPATING INTERESTS / SUBSIDIARIES

**Audited**  
**31.3.2008**

**Phu My Plastics and Chemicals Company Limited ("Phu My")**

On 1 August 2007, one of PETRONAS subsidiary acquired 93.11% equity interest in Phu My, for a purchase consideration of USD29 million. The net profit contributed by Phu My from the date of acquisition to the year ended 31 March 2008 is not material to the combined net profit for the year.

**Audited**  
**31.3.2010**

**OPTIMAL Group of Companies**

On 30 September 2009, PETRONAS acquired additional equity interests in OPTIMAL Olefins, OPTIMAL Chemicals and OPTIMAL Glycols for a total purchase consideration of USD671 million via a share Sale and Purchase Share Agreement with UCMG L.L.C and Union Carbide Corporation.

As a result, PCG Group increased its equity interests in OPTIMAL Olefins from 64.3% to 88.0% while OPTIMAL Chemicals and OPTIMAL Glycols which were previously jointly controlled entities become wholly-owned subsidiaries of PETRONAS. The net profits contributed by the additional equity holdings in these companies from the date of acquisition to the year ended 31 March 2010 amounting to RM58 million is included in PCG Group's combined net profit for 31 March 2010.

If the acquisitions of OPTIMAL Chemicals and OPTIMAL Glycols have been completed at 1 April 2009, the total revenue and profit for the year for PCG Group would have been RM12,932 million and RM2,875 million respectively.

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 27. ACQUISITIONS OF PARTICIPATING INTERESTS / SUBSIDIARIES (continued)

The net effect of acquisitions of the above companies on the cash flows and values of assets and liabilities acquired are as follows:

<b>Audited</b>	<b>Fair value at acquisition date</b>
<b>31.3.2008</b>	<b>RM Mil</b>
Property, plant and equipment	141
Other assets	67
Cash and cash equivalents	6
Borrowings	(52)
Payables	(95)
Other liabilities	(42)
	<u>25</u>
Less: Interests previously held as jointly controlled entities	(13)
	12
Less: Minority interests acquired in existing subsidiary	(2)
Add: Goodwill on acquisition	27
Add: Gain on disposal from PETRONAS	1
Purchase consideration	<u>38</u>
Less: Investment made by PETRONAS	(38)
Less: Cash and cash equivalents of subsidiaries acquired	<u>(6)</u>
Cash flow on acquisition, net of cash acquired	<u>(6)</u>

<b>Audited</b>	<b>Carrying amount representing</b>
<b>31.3.2010</b>	<b>fair value at acquisition date</b>
	<b>RM Mil</b>
Property, plant and equipment	1,967
Other assets	784
Cash and cash equivalents	484
Deferred taxation	271
Borrowings	(976)
Payables	(521)
Other liabilities	(9)
	<u>2,000</u>
Less: Interests previously held as jointly controlled entities	(1,000)
	1,000
Add: Minority interests acquired in existing subsidiary	354
Add: Goodwill on acquisition	1,159
Less: Negative goodwill on acquisition recognised in other operating income	<u>(175)</u>
Purchase consideration	2,338
Less: Investment made by PETRONAS	(2,338)
Less: Cash and cash equivalents of subsidiaries acquired	<u>(484)</u>
Cash flow on acquisition, net of cash acquired	<u>(484)</u>

## 9. ACCOUNTANTS' REPORT (cont'd)



PETRONAS Chemicals Group Berhad  
Accountants' Report  
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## A HISTORICAL FINANCIAL INFORMATION (continued)

## 27. ACQUISITIONS OF PARTICIPATING INTERESTS / SUBSIDIARIES (continued)

The initial accounting for the business combinations of the OPTIMAL Group of Companies was determined provisionally. As per the unaudited management accounts for the period ended 30 September 2010, the fair values of the identifiable assets, liabilities and contingent liabilities have been determined via a purchase price allocation exercise which has resulted in allocation of goodwill amounting to RM1,056 million to other intangible assets.

## 28. SIGNIFICANT AND SUBSEQUENT EVENTS

Other than the Subdivision of shares as disclosed in Section 2.2 of this report and the Reorganisation (except for the disposal of Mitco (Japan) and redemption of RPS in MITCO and PETLIN) as disclosed in Section 3.1 of this report, there were no significant events between the date of the last combined financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

KPMG Desa Megat & Co.  
Firm Number: AF 0759  
Chartered Accountants

Abdullah Abu Samah  
Approval Number: 2013/06/12(J)  
Chartered Accountant

**10. OUR MAJOR LICENCES**

The operations of our Group are subject to the purview of the MITI and primarily governed by the Industrial Co-ordination Act, 1975 and the Petroleum Development Act, 1974. In respect of the manufacture of all our Group's products, specific licences are obtained from MITI which are not subject to annual renewal. However, for the business of processing or refining of petroleum or manufacturing of petrochemical products from petroleum, specific licences are required pursuant to Section 6 of the Petroleum Development Act, 1974 in addition to the manufacturing licences issued by MITI. The activities of our Group are prescribed under Environmental Quality (Prescribed Activities)(Environmental Impact Assessment) Order, 1987 which came into force on 1 April 1988 and are primarily governed by the Environmental Quality Act, 1974. Approvals are obtained from the relevant Department of Environment under Section 34A of the Environmental Quality Act, 1974. We have obtained all approvals, major licences and certifications necessary for our business and are in compliance with, and expect to continue to comply with, their terms and conditions.

Details of our approvals and major licences together with the main conditions attached and status of compliance are as follows:

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
1.	<b>MITCO</b>				
(i)	Minister of Finance, Inc. (Registration Reference No. 357-00052402)	24 October 2008/(23 October 2011)	To acknowledge the registration of the company with the Minister of Finance, Inc. in the areas of supply/service of furniture, industrial chemical, water processing chemicals, fuel, fertiliser, livestock and livestock breeds.	Nil	Complied.
2.	<b>Aromatics Malaysia</b>				
(i)	MITI / (Licence No. A 010706 Serial No. A 016795)	19 September 1997/(valid unless otherwise revoked)	To act as a licensed manufacturer from 24 May 1997 at the place of manufacturing located at KM105, Jalan Kuantan-Kuala Terengganu, Kerteh, Kemaman, Terengganu Darul Iman for the production of paraxylene, benzene, raffinate, heavy aromatics and LPG.	(a) The company is required to inform the MITI of any sale of shares in the company. (b) The company is to export at least 50% of its products.	Complied.
(ii)	MITI / (Licence No. A 010706 Serial No. A 022965)	24 February 2005/(valid unless otherwise revoked)	To act as a licensed manufacturer from 10 November 2004 at the place of manufacturing located at KM105, Jalan Kuantan-Kuala Terengganu, Kerteh, Kemaman, Terengganu Darul Iman for the production of hydrogen.	The company is required to inform the MITI of any sale of shares in the company.	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(iii)	MITI / (Permit No. A 000059 Serial No. A 000122)	19 September 1997/(valid unless otherwise revoked)	Permission granted to Aromatics Malaysia at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at KM105, Jalan Kuantan-Kuala Terengganu, Kerteh, Kemaman, Terengganu Darul Iman from 24 May 1997 for the production of paraxylene, benzene, raffinate, heavy aromatics and LPG.	The production capacity of the company in respect of paraxylene, benzene and LPG shall not exceed 570,311 metric tonnes, 220,818 metric tonnes and 61,317 metric tonnes respectively annually. Prior approval from the Secretary General of MITI shall be obtained for any increase of the capacity.	Complied.
(iv)	Department of Environment	N/A	Environmental impact assessment ("EIA") approval for the Kerthi Aromatics Plant Project dated 6 February 1997.	(a) Aromatics Malaysia to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.  (b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.  (c) Noise: the noise levels at the boundaries of the plant during operation hours shall not exceed 65A-weighted decibels ("dB(A)").  (d) Waste: scheduled waste from the effluent treatment plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).  (e) Water: any effluent or sewage discharge to any watercourse shall comply with the Environmental Quality (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage & Industrial Effluents) Regulations 1979).	Complied.



10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(v)	Department of Environment	N/A	EIA approval for the Proposed KR-1 Debottlenecking Project dated 10 June 2007.	<p>(a) Aromatics Malaysia to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.</p> <p>(b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.</p> <p>(c) Noise: the noise levels at the boundaries of the plant during operation hours shall not exceed 65dB(A).</p> <p>(d) Waste: scheduled waste from the KR-1 Debottlenecking plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005.</p> <p>(e) Water: any effluent discharge to any watercourse shall comply with the Environmental Quality (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) Regulations 1979).</p>	Complied.

10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(vi)	Department of Environment	N/A	EIA approval for the Supplementary EIA for the Proposed Transfer Facility for VECS Effluent dated 6 March 2008.	<p>(a) Aromatics Malaysia to obtain written approval from the Director General of the Department of Environment for any increase in the discharge of high aromatic effluent.</p> <p>(b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.</p> <p>(c) Noise: the noise levels at the boundaries of the plant during operation hours shall not exceed 65dB(A).</p> <p>(d) Waste: any scheduled waste from the proposed transfer facility shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005.</p> <p>(e) Water: any effluent discharge to any watercourse shall comply with the Environmental Quality (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) Regulations 1979).</p>	Complied.
3.	MTBE Malaysia				
(i)	MITI / (Licence No. A 006315 Serial No. A 009061)	29 December 1989/(valid unless otherwise revoked)	To act as a licensed manufacturer from 26 September 1989 at the place of manufacturing located at Kawasan Perindustrian Gebeng, Kuantan, Pahang Darul Makmur for the production of MTBE and propylene.	The company is required to inform the MITI of any sale of shares in the company.	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(ii)	MITI / (Permit No. 000076 Serial No. 000144)	24 April 2001/(valid unless otherwise revoked)	Permission granted to MTBE Malaysia at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Lot 111, Kawasan Perindustrian Gebeng, Kuantan, Pahang Darul Makmur from 20 November 1998 for the production of propylene.	The distillation capacity of the company in respect of propylene shall not to exceed 380,000 metric tonnes annually on the basis of 3 working shifts per day. The approval of the Secretary General of MITI shall first be obtained in respect of any enhancement of such capacity.	Complied.
(iii)	MITI / (Permit No. 000075 Serial No. 000143)	24 April 2001/(valid unless otherwise revoked)	Permission granted to MTBE Malaysia at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Kawasan Perindustrian Gebeng 3, Kuantan, Pahang Darul Makmur from 20 November 1998 for the production of propylene.	The distillation capacity of the company in respect of propylene shall not to exceed 380,000 metric tonnes annually on the basis of 3 working shifts per day. The approval of the Secretary General of MITI shall first be obtained in respect of any enhancement of such capacity.	Complied.
(iv)	MITI / (Licence No. A 006315 Serial No. B 000241)	10 November 2004/(valid unless otherwise revoked)	To act as a licensed manufacturer from 26 September 1989 at the place of manufacturing located at Kawasan Perindustrian Gebeng, Kuantan, Pahang Darul Makmur for the production of MTBE and propylene.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(v)	MITI / (Licence No. A 011717 Serial No. B 000242)	10 November 2004/(valid unless otherwise revoked)	To act as a licensed manufacturer from 20 November 1998 at the place of manufacturing located at Kawasan Perindustrian Gebeng 3, Kuantan, Pahang Darul Makmur for the production of propylene.	The company is required to inform the MITI of any sale of shares in the company.	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(vi)	MITI / (Licence No. A 011717 Serial No. B 000186)	24 April 2001/(valid unless otherwise revoked)	To act as a licensed manufacturer from 20 November 1998 at the place of manufacturing located at Kawasan Perindustrian Gebeng 3, Kuantan, Pahang Darul Makmur for the production of propylene.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(vii)	MITI / (Permit No. 000065 Serial No. 000177)	9 June 2005/(valid unless otherwise revoked)	Permission granted to MTBE Malaysia at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Lot 111, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur from 5 April 2005 for the production of n-butane.	The production capacity of the company in respect of n-butane shall not exceed 450,000 metric tonnes annually on the basis of 3 working shifts. Prior approval from the Secretary General of MITI shall be obtained for any increase of the capacity.	Complied.
(viii)	MITI / (Licence No. A 006315 Serial No. A 023213)	9 June 2005/(valid unless otherwise revoked)	To act as a licensed manufacturer from 5 April 2005 at the place of manufacturing at Lot 111, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur for the production of n-butane.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(ix)	MITI / (Permit No. 000066 Serial No. 000182)	7 June 2006/(valid unless otherwise revoked)	Permission granted to MTBE Malaysia at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Lot 139, Mukim Sg. Karang, Kawasan Perindustrian Gebeng 3, 26080 Kuantan, Pahang Darul Makmur from 5 October 2005 for the production of iso-butane.	The production capacity of the company in respect of the hydrogen rich gas shall not exceed 216,000,000 Nm <sup>3</sup> annually respectively on the basis of 3 working shifts. Prior approval from the Secretary General of MITI shall be obtained for any increase in the capacity.	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(x)	MITI / (Permit No. 000065 Serial No. 000181)	7 June 2006/(valid unless otherwise revoked)	Permission granted to MTBE Malaysia at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Lot 111, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur from 5 October 2005 for the production of iso-butane.	The production capacity of the company in respect of the Iso-Butane shall not exceed 720 metric tonnes annually on the basis of 3 working shifts. Prior approval from the Secretary General of MITI shall be obtained for any increase in the said capacity.	Complied.
(xi)	MITI / (Licence No. A 011717 Serial No. A 024026)	7 June 2006/(valid unless otherwise revoked)	To act as a licensed manufacturer from 5 October 2005 at the place of manufacturing located at Lot 139, Mukim Sg. Karang, Kawasan Perindustrian Gebeng 3, 26080 Kuantan, Pahang Darul Makmur for the production of hydrogen rich gas.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(xii)	MITI / (Licence No. A 006315 Serial No. A 024025)	7 June 2006/(valid unless otherwise revoked)	To act as a licensed manufacturer from 5 October 2005 at the place of manufacturing located at Lot 111, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur for the production of iso-butane.	The company is required to inform the MITI of any sale of shares in the company.	Complied.

10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(xiii)	Department of Environment	N/A	EIA approval for the PETRONAS MTBE/Propylene and Polypropylene and Associated Facilities Project dated 31 May 1990.	<p>(a) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.</p> <p>(b) Noise: the noise levels at the "buffer belt" boundaries shall not exceed 65dB(A) at all times.</p> <p>(c) Waste: sludges from the effluent treatment plant and molecular sieves shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(d) Water: any effluent and sewage discharge including any discharge from the closed-loop cooling water system shall comply with the Environmental Quality (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p>	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(xiv)	Department of Environment	N/A	EIA approval for the Proposed Propane Dehydrogenation Plant dated 21 August 1998.	<p>(a) MTBE Malaysia to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.</p> <p>(b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.</p> <p>(c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) at all times.</p> <p>(d) Waste: any scheduled waste from the propane dehydrogenation plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(e) Water: all effluent discharge to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p>	Complied.

**10. OUR MAJOR LICENCES (cont'd)**

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(xv)	Department of Environment	N/A	EIA approval for the Proposed N-Butane Modifications Project dated 4 November 2004.	<p>(a) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.</p> <p>(b) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) at all times.</p> <p>(c) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(d) Water: all effluent discharge to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p>	Complied.
(xvi)	Ministry of Science, Technology and Innovation	1 September 2009/(31 August 2012)	Atomic License issued under the Atomic Energy Licensing Act 1984.	<p>(a) The licensee shall transport the radioactive materials in accordance with the Radioactive Protection (Transportation) Regulations 1989.</p> <p>(b) The licensee is only permitted to import/export radioactive equipment for its own usage.</p> <p>(c) The licensee shall store/keep the radioactive equipment in a place or licence storage facility in accordance to the procedures laid down by the Atomic Licence Energy Board.</p>	Complied.



## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
4.	<b>OPTIMAL Olefins</b>				
(i)	MITI / (Permit No. 000055 Serial No. 000135)	21 September 1999/(valid unless otherwise revoked)	Permission granted to OPTIMAL Olefins at the place of processing or refining of petrochemical products from petrochemical products located at Kerteh, Terengganu Darul Iman from 3 August 1999 for the production of ethylene and propylene.	The distillation capacity of the company in respect of ethylene and propylene shall not exceed 600,000 metric tonnes annually and 86,000 metric tonnes annually respectively on the basis of 3 working shifts per day. The approval of the Secretary General of MITI shall first be obtained in respect of any enhancement of such capacity.	Complied.
(ii)	MITI / (Licence No. A 011940 Serial No. A 018378)	21 September 1999/(valid unless otherwise revoked)	To act as a licensed manufacturer from 3 August 1999 at the place of manufacturing located at Kerteh, Terengganu Darul Iman for the production of ethylene and propylene.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(iii)	Department of Environment	N/A	EIA approval for Proposed Olefins and Derivatives Plant dated 7 November 1998.	(a) OPTIMAL Olefins to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.  (b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.  (c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) at all times.  (d) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).  (e) Water: all effluent discharge from the plant shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage & Industrial Effluents) 1979).	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
5. (i)	Polyethylene Malaysia MITI / (Licence No. A 008435) Serial No. A 012572)	27 October 1992/(valid unless otherwise revoked)	To act as a licensed manufacturer from 30 August 1992 at the place of manufacturing located at Kerthi, Terengganu Darul Iman for the production of HDPE and LLDPE.	(a) The company is required to inform the MITI of any sale of shares in the company.  (b) The company is to export at least 50% of its products.	Complied.
(ii)	Department of Environment	N/A	EIA approval for the Proposed Ethylene/Polyethylene Plants dated 15 October 1992.	(a) Polyethylene Malaysia to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.  (b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.  (c) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).  (d) Water: all effluent discharge to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage & Industrial Effluents) 1979).  (e) Spillage: Polyethylene Malaysia to fully comply with the National Oil Spill Contingency Plan for any oil spillage.	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(iii)	Ministry of Science, Technology and Innovation	3 February 2009/ (2 February 2012)	Atomic License issued under the Atomic Energy Licensing Act 1984.	(a) The licensee shall transport the radioactive materials in accordance with the Radioactive Protection (Transportation) Regulations 1989.  (b) The licensee is only permitted to import/export radioactive equipment for its own usage.  (c) The licensee shall store/keep the radioactive equipment in a place or licence storage facility in accordance with the procedures laid down by the Atomic Licence Energy Board.	Complied.
6.	<b>Ethylene Malaysia</b>				
(i)	MITI / (Licence No. A 008431 Serial No. 029967)	12 May 2010/(valid unless otherwise revoked)	To act as a licensed manufacturer from 28 October 2009 at the place of manufacturing located at Kertih, Terengganu Darul Iman for the production of hydrogen and cracked gasoline.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(ii)	MITI / (Licence No. A 008431 Serial No. A 012568)	27 October 1992/(valid unless otherwise revoked)	To act as a licensed manufacturer from 10 August 1992 at the place of manufacturing located at Kertih, Terengganu Darul Iman for the production of ethylene.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(iii)	MITI / (Permit No. A 000049 Serial No. A 000226)	12 May 2010/(valid unless otherwise revoked)	Permission granted to Ethylene Malaysia at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Kertih, Terengganu Darul Iman from 28 October 2009 for the production of cracked gasoline.	The production capacity of the company in respect of ethylene shall not exceed 440,000 metric tonnes annually. Prior approval from the Secretary General of MITI shall be obtained for any increase of the capacity.	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(iv)	Department of Environment	N/A	EIA approval for the Proposed Ethylene/Polyethylene Plants dated 15 October 1992.	<p>(a) Ethylene Malaysia to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.</p> <p>(b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.</p> <p>(c) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(d) Water: all effluent discharge to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p> <p>(e) Spillage: Ethylene Malaysia to fully comply with the National Oil Spill Contingency Plan for any oil spillage.</p>	Complied.

**10. OUR MAJOR LICENCES (cont'd)**

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(v)	Department of Environment	N/A	EIA approval for the main EIA of the Marine Facilities in Kerteh, Terengganu Darul Iman dated 15 October 1992.	<p>(a) Ethylene Malaysia to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.</p> <p>(b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.</p> <p>(c) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(d) Water: all effluent discharge to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p> <p>(e) Spillage: Ethylene Malaysia to fully comply with the National Oil Spill Contingency Plan for any oil spillage.</p>	Complied.
7.	PETLIN	14 December 1999/(valid unless otherwise revoked)	To act as a licensed manufacturer from 21 September 1999 at the place of manufacturing located at Kerteh, Kemaman, Terengganu Darul Iman for production of LDPE.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(i)	MITI / (Licence No. A 012056 Serial No. A 018577)	14 December 1999/(valid unless otherwise revoked)	To act as a licensed manufacturer from 21 September 1999 at the place of manufacturing located at Kerteh, Kemaman, Terengganu Darul Iman for production of LDPE.	The company is required to inform the MITI of any sale of shares in the company.	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
(ii)	Department of Environment	N/A	EIA approval for the LDPE Plant dated 9 October 1999.	<p>(a) PETLIN to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.</p> <p>(b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978 including emission through vent system during a process update.</p> <p>(c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) at all times.</p> <p>(d) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(e) Water: all effluent discharge to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p>	Complied.
(iii)	Ministry of Science, Technology and Innovation	7 September 2009/(6 September 2012)	Atomic License issued under the Atomic Energy Licensing Act 1984.	<p>(a) The licensee shall transport the radioactive materials in accordance with the Radioactive Protection (Transportation) Regulations 1989.</p> <p>(b) The licensee is only permitted to import/export radioactive equipment for its own usage.</p> <p>(c) The licensee shall store/keep the radioactive equipment in a place or licence storage facility in accordance with the procedures laid down by the Atomic Licence Energy Board.</p>	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/(Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/Transaction approved	Main conditions imposed	Compliance status
8.	<b>OPTIMAL Chemicals</b>				
(i)	MITI / (Licence No. A 011944 Serial No. A 018382)	21 September 1999/(valid unless otherwise revoked)	To act as a licensed manufacturer from 3 August 1999 at the place of manufacturing located at Kerteh, Terengganu Darul Iman for the production of ethanolaramines, alkoxyates/functional fluids, butanol, butyl acrylate, glycols ethers and butyl acetate.	(a) The company is required to inform the MITI of any sale of shares in the company.  (b) The company is to export at least 50% of its products.	Complied.
(ii)	Department of Environment	N/A	EIA approval for the Proposed Olefins and Derivatives Plant dated 7 November 1998.	(a) OPTIMAL Chemicals to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.  (b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.  (c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) at all times.  (d) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).  (e) Water: all effluent discharge from the plant shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage & Industrial Effluents) 1979).	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
9.	Vinyl Chloride (Malaysia)				
(i)	MITI / (Licence No. A 010707 Serial No. A 016797)	26 September 1997/(valid unless otherwise revoked)	To act as a licensed manufacturer from 10 September 1996 at the place of manufacturing located at Lot 4593 & 5608 Mukim Kerteh, Kemaman, Terengganu Darul Iman for the production of VCM.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(ii)	MITI / (Licence No. A 010707 Serial No. A 017385)	27 May 1998/(valid unless otherwise revoked)	To act as a licensed manufacturer from 13 April 1998 at the place of manufacturing located at Lot 4593 & 5608 Mukim Kerteh, Kemaman, Terengganu Darul Iman for the production of PVC resin.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(iii)	MITI / (Licence No. A 010707 Serial No. A 000332)	9 February 2010/(valid unless otherwise revoked)	To act as a licensed manufacturer from 17 July 2007 at the place of manufacturing located at Lot 4593 & 5608 Mukim Kerteh, Kemaman, Terengganu Darul Iman for the production of hydrochloric acid.	The company is required to inform the MITI of any sale of shares in the company.	Complied.



10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
(iv)	Department of Environment	N/A	EIA approval for the Proposed VCM and PVC Plant Project dated 21 December 1996.	<p>(a) Vinyl Chloride (Malaysia) to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.</p> <p>(b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978 including emission through vent system during a process update, incinerator and furnace.</p> <p>(c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) at all times.</p> <p>(d) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(e) Water: all effluent discharge to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p>	Complied.
(v)	Ministry of Science, Technology and Innovation	18 May 2009 / (17 May 2012)	Atomic License issued under the Atomic Energy Licensing Act 1984.	<p>(a) The licensee shall transport the radioactive materials in accordance with the Radioactive Protection (Transportation) Regulations 1989.</p> <p>(b) The licensee is only permitted to import/export radioactive equipment for its own usage.</p> <p>(c) The licensee shall store/keep the radioactive equipment in a place or licence storage facility in accordance with the procedures laid down by the Atomic Licence Energy Board.</p>	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
10.	PETRONAS Methanol				
(i)	MITI / (Licence No. A 009063 Serial No. A 013623)	24 December 1993/(valid unless otherwise revoked)	To act as a licensed manufacturer from 13 April 1993 at the place of manufacturing located at Kawasan Perindustrian Ranca-Ranca, 87009 Labuan for the production of methanol.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(ii)	MITI / (Permit No. A 000050 Serial No. A 000110)	27 May 1993/(valid unless otherwise revoked)	Permission granted to PETRONAS Methanol at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Kawasan Perindustrian Ranca-Ranca, 87009 Labuan for the production of methanol.	The production capacity of the company in respect of the methanol shall not exceed 2,559,000 metric tonnes annually. Prior approval from the Secretary General, MITI shall be obtained for any increase of the capacity.	Complied.
(iii)	Department of Environment	N/A	EIA approval for the PML Mega Methanol Project dated 9 May 2006.	(a) PETRONAS Methanol to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.  (b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.  (c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) during the day and 55dB(A) during the night.  (d) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005.  (e) Water: any effluent or sea cooling water discharged to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage Regulations 2009 (both regulations replace the Environmental Quality (Sewage & Industrial Effluents) 1979).	Complied.

10. OUR MAJOR LICENCES (cont'd)

No. (iv)	Authority/ (Reference no.) Department of Environment	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved EIA approval for the Proposed Jetty Construction at PML Mega Methanol Plant dated 22 March 2007.	Main conditions imposed (a) Air quality: air quality monitoring for total suspended particles parameter shall be conducted on a monthly basis. (b) Waste: any scheduled waste disposed shall be in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005. (c) Water: monthly monitoring on the quality of the sea water for the Biochemical Oxygen Demand, Chemical Oxygen Demand, total Suspended Solids, pH levels, DO, total Coliform, E-Coli, Ammonia- Nitrogen and oil and grease parameters. (d) Water traffic safety: PETRONAS Methanol to install and ensure sufficient safety equipments and safety warnings at the location stipulated by the Marine Department. (e) Spillage: PETRONAS Methanol to fully comply with the National Oil Spill Contingency Plan for any condensate or oil spillage.	Compliance status Complied.
11.	<b>OPTIMAL Glycols</b> MITI / (Licence No. A 011943 Serial No. A 018381)	21 September 1999/(valid unless otherwise revoked)	To act as a licensed manufacturer from 3 August 1999 at the place of manufacturing located at Kerteh, Terengganu Darul Iman for the production of ethylene oxide and ethylene glycol.	(a) The company is required to inform the MITI of any sale of shares in the company. (b) The company is to export at least 50% of its products.	Complied.

10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.) Department of Environment	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
(ii)		N/A	EIA approval for the Proposed Olefins and Derivatives Plant dated 7 November 1998.	(a) OPTIMAL Glycols to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.  (b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.  (c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) at all times.  (d) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).  (e) Water: all effluent discharge from the plant shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage & Industrial Effluents) 1979).	Complied.
12.	ASEAN Bintulu Fertilizer	6 July 1982/(valid unless otherwise revoked)	To act as a licensed manufacturer from 30 March 1982 at the place of manufacturing located at Kawasan Perindustrian Kidurong, Bintulu, Sarawak for the production of ammonia and urea.	The company is required to inform the MITI of any sale of shares in the company.	Complied.

10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
(ii)	MITI / (Permit No. A 000009 Serial No. A 000009)	10 June 1983/(valid unless otherwise revoked)	Permission granted to ASEAN Bintulu Fertilizer at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Kawasan Perindustrian Kidurong, Bintulu, Sarawak from 6 April 1983 for the production of ammonia and urea.	The production capacity of the company in respect of ammonia and urea shall not exceed 492,750 metric tonnes annually and 821,250 metric tonnes annually respectively. Prior approval from the Secretary General, MITI shall be obtained for any increase of the capacity.	Complied.
(iii)	Ministry of Domestic Trade and Consumer Affairs / Licence No AM00650U	3 December 2008/(26 May 2011)	To produce chemical fertilisers at KM18, Tanjung Kidurong, 97008, Bintulu, Sarawak.	The company is not permitted to hold in its possession or under its care or supervision and shall not permit anyone to hold in their possession or under its care or supervision on behalf of the company more than 100,000 metric tonnes of chemical fertilisers.	Complied.
(iv)	Department of Environment	N/A	EIA approval for the Proposed Expansion of ASEAN Bintulu Fertilizer dated 25 July 2003.	(a) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.  (b) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) during the day and 55dB(A) during the night.  (c) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).  (d) Water: all effluent, sewage and polluted cooling water discharged from the plant shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage & Industrial Effluents) 1979).	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.) Ministry of Science, Technology and Innovation	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
(v)		1 September 2008/(31 August 2011)	Atomic License issued under the Atomic Energy Licensing Act 1984.	<p>(a) The licensee shall transport the radioactive materials in accordance with the Radioactive Protection (Transportation) Regulations 1989.</p> <p>(b) The licensee is only permitted to import/export radioactive equipment for its own usage.</p> <p>(c) The licensee shall store/keep the radioactive equipment in a place or licence storage facility in accordance with the procedures laid down by the Atomic Licence Energy Board.</p>	Complied.
13.	PETRONAS Fertilizer				
(i)	MITI / (Permit No. 000055 Serial No. 000116)	7 November 1995/(valid unless otherwise revoked)	Permission granted to PETRONAS Fertilizer at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Gurun, Kedah Darul Aman from 10 September 1995 for the production of anhydrous liquid ammonia, urea and methanol.	The production capacity of the company in respect of anhydrous liquid ammonia, urea and methanol shall not exceed 511,000 metric tonnes, 751,900 metric tonnes and 73,000 metric tonnes annually respectively. Prior approval from the Secretary General of MITI shall be obtained for any increase in the said capacity.	Complied.
(ii)	MITI / (Licence No. A 009986 Serial No. A 015141)	7 November 1995/(valid unless otherwise revoked)	To act as a licensed manufacturer from 10 September 1995 at the place of manufacturing located at Gurun, Kedah Darul Aman for the production of anhydrous liquid ammonia, urea, methanol and urea formaldehyde.	The company is required to inform the MITI of any sale of shares in the company.	Complied.

**10. OUR MAJOR LICENCES (cont'd)**

No. (iii)	Authority/ (Reference no.) Department of Environment	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
		N/A	EIA approval for the Proposed PETRONAS Second Ammonia/Urea and Integrated Methanol/Urea Formaldehyde Plant dated 11 July 1995.	<p>(a) PETRONAS Fertilizer to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.</p> <p>(b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.</p> <p>(c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) during the day and 55dB(A) during the night.</p> <p>(d) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(e) Water: any effluent and sewage discharged to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p>	Complied.

10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.) Department of Environment	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
(iv)		N/A	Supplementary EIA approval for the proposed PETRONAS Fertilizer Plant Debottlenecking Project dated 8 October 2007.	(a) PETRONAS Fertilizer to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.  (b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.  (c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) during the day and 55dB(A) during the night.  (d) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).  (e) Water: any effluent discharged to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage & Industrial Effluents) 1979).	Complied.
(v)	Ministry of Science, Technology and Innovation	18 September 2009/(17 September 2012)	Atomic License issued under the Atomic Energy Licensing Act 1984.	(a) The licensee shall transport the radioactive materials in accordance with the Radioactive Protection (Transportation) Regulations 1989.  (b) (The licensee is only permitted to import/export radioactive equipment for its own usage.  (c) The licensee shall store/keep the radioactive equipment in a place or licence storage facility in accordance with the procedures laid down by the Atomic Licence Energy Board.	Complied.



## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
14.	PETRONAS Ammonia				
(i)	MITI / (Permit No. 000062 Serial No. 000127)	24 August 1998/(valid unless otherwise revoked)	Permission granted to PETRONAS Ammonia at the place of processing or refining of petroleum or manufacture of petrochemical products from petroleum located at Kawasan Perindustrian Kerteh, Kemaman, Terengganu Darul Iman from 23 March 1998 for the production of carbon monoxide, oxogas and ammonia.	The production capacity of the company in respect of ammonia shall not exceed 492,750 metric tonnes annually on the basis of 3 working shifts. Prior approval from the Secretary General of MITI shall be obtained for any increase of the capacity.	Complied.
(ii)	MITI / (Licence No. A 011485 Serial No. A 017582)	24 August 1998/(valid unless otherwise revoked)	To act as a licensed manufacturer from 23 March 1998 at the place of manufacturing located at Kawasan Perindustrian Kerteh, Kemaman, Terengganu Darul Iman for the production of carbon monoxide, oxogas and ammonia.	The company is required to inform the MITI of any sale of shares in the company.	Complied.

10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.) Department of Environment	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
(iii)		N/A	EIA approval for the Proposed Integrated Project-Ammonia Syngas dated 8 March 1998.	<p>(a) PETRONAS Ammonia to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.</p> <p>(b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978 including emission through vent system during a process update.</p> <p>(c) Noise: the noise levels at the boundaries of the plant during operation hours shall not exceed 65dB(A).</p> <p>(d) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(e) Water: any effluent discharged to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p>	Complied.
15.	Phu My Ba Ria-Vung Tau Industrial Zones Authority (Investment Certificate No. 492022000054)	8 August 2007/(6 May 2030)	This Investment Certificate is issued to:	Nil	Complied.
(i)			(i) recognise the re-registration of Phu My to operate under the new Enterprise Law; and		
			(ii) approve the transfer of all interests of Tramsuco in Phu My to Vung Tau Shipyard and the transfer of all interests of PetroVietnam and of PETRONAS in Phu My to Petronas International Corporation Limited.		

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
(ii)	Ministry of Technology and Environment ("MOSTE")	20 April 1999/ (valid unless otherwise revoked)	EIA approval for the Phu My PVC Plant located at CaiMep Industrial Zone, PhuocHoa Ward, Tan Thanh District, Ba Ria - Vung Tau Province, Vietnam pursuant to the Decision 656/QĐ- BKHCNMT of the MOSTE dated 20 April 1999.	<p>(a) Phu My is required to comply with all commitments on treatment of waste substance and protection of environment in relation to the Phu My PVC Plant.</p> <p>(b) All waste substance from the Phu My PVC Plant shall be disposed in accordance with Vietnamese standards on environment.</p> <p>(c) The construction and operation of the Phu My PVC Plant must comply with fire prevention and fighting regulations as approved by the relevant authority.</p> <p>(d) Phu My is required to ensure the funding for implementation of periodical environment inspection program as mentioned in the EIA and make a written report to the Department of Natural Resources and Environment of Ba Ria - Vung Tau.</p> <p>(e) Phu My is required to report on any amendments to the operation of the Phu My PVC Plant to the competent environment authority for their consideration of the respective environment protection program.</p> <p>(f) Phu My is required to make a written report to the competent authority for inspection upon completion of the environment protection items within its project.</p>	Complied.

## 10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
16.	Polypropylene Malaysia				
(i)	MITI / (Licence No. A 006284 Serial No. B 000240)	10 November 2004/(valid unless otherwise revoked)	To act as a licensed manufacturer from 23 February 1989 at the place of manufacturing located at Kawasan Perindustrian Gebeng, Kuantan, Pahang Darul Makmur for the production of polypropylene.	The company is required to inform the MITI of any sale of shares in the company.	Complied.
(ii)	Department of Environment	N/A	EIA approval for the PETRONAS MTBE/Propylene and Polypropylene and Associated Facilities dated 31 May 1990.	(a) Polypropylene Malaysia to obtain written approval from the Director General of the Department of Environment for any increase in the production capacity of the plant.  (b) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.  (c) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) at all times.  (d) Waste: any scheduled waste from the propane dehydrogenation plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).  (e) Water: all effluent discharge to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage & Industrial Effluents) 1979).	Complied.

**10. OUR MAJOR LICENCES (cont'd)**

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
(iii)	Department of Environment	N/A	EIA approval for the Proposed Second Propane Dehydrogenation Plant dated 21 August 1998.	<p>(a) Air quality: any gaseous emission and air impurities shall comply with the Environmental Quality (Clean Air) Regulations 1978.</p> <p>(b) Noise: the noise levels at the boundaries of the plant shall not exceed 65dB(A) at all times.</p> <p>(c) Waste: any scheduled waste from the plant shall be disposed in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 (the regulation replaces the Environmental Quality (Scheduled Waste) Regulations 1989).</p> <p>(d) Water: all effluent discharge to any watercourse shall comply with the Environmental (Industrial Effluents) Regulations 2009 and Environmental Quality (Sewage) Regulations 2009 (both regulations replace the Environmental Quality (Sewage &amp; Industrial Effluents) 1979).</p>	Complied.
(iv)	Ministry of Science, Technology and Innovation	1 September 2009/(31 August 2012)	Atomic License issued under the Atomic Energy Licensing Act 1984.	<p>(a) The licensee shall transport the radioactive materials in accordance with the Radioactive Protection (Transportation) Regulations 1989.</p> <p>(b) The licensee is only permitted to import/export radioactive equipment for its own usage.</p> <p>(c) The licensee shall store/keep the radioactive equipment in a place or licence storage facility in accordance with the procedures laid down by the Atomic Licence Energy Board.</p>	Complied.

10. OUR MAJOR LICENCES (cont'd)

No.	Authority/ (Reference no.)	Date of issue/ Date of commencement/ (expiry)	Type of business/ Transaction approved	Main conditions imposed	Compliance status
17.	Kertih Port Department of Environment	N/A	EIA approval for the Kertih Marine Facility dated 19 July 1993.	(a) Total number of berths are limited to 6.  (b) Contingency plans for overcoming any possibility of oil spillage shall be prepared. Appropriate measures provided in the national oil spill contingency plan shall be fully complied.  (c) Construction area of the berth is limited to the areas identified and specified in the plans provided to the Department of Environment. Prior approval from the Department of Irrigation and Drainage shall be obtained before commissioning on any excavation work.  (d) Morphology monitoring at the beach area which is likely to be eroded shall be carried out and appropriate measures shall be taken in the event erosion at the relevant area has been identified.  (e) Disposal of oil and grease from the oil dredging ship into the sea is prohibited. Temporary storage facilities for oil sludge shall be made available and disposal of oil sludge is only allowed at the disposal areas permitted by the Department of Environment.  (f) Any disposal of oil mixtures containing oil into Malaysian waters from the berths is prohibited, as stipulated pursuant to Section 27 of the Environmental Quality Act, 1974.	Complied.

Note:

N/A Not applicable.

## 11. LANDED PROPERTIES

## 11.1 PROPERTIES OWNED BY OUR GROUP

The details of land and buildings owned by us as at the Latest Practicable Date are set out below:

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of certificate of fitness ("CF") or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
1.	MTBE Malaysia <sup>(1)</sup> H.S.(D) 9688 P.T. No. 4538, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang  Lot 111, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Leasehold for 66 years, expiring 14 July 2058	Industrial land erected with a MTBE plant complex, administration building, catalyst storage and related buildings and facilities/Currently used as a plant for the production of MTBE	30 March 1991, 7 August 1991 and 30 March 1992	102,418/ 357,700	The leased land shall not be sold, charged, leased, assigned or transferred except with the written consent of the Yang Amat Berhormat Chief Minister, Pahang. The Pahang State Development Board is excluded from this restriction in interest.	-	4,266
2.	MTBE Malaysia H.S.(D) 34911, No. P.T. 15128, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang  Lot 139B, Kawasan Perindustrian Gebeng, Fasa 3, Mukim Sungai Karang, 26080, Kuantan, Pahang Leasehold for 99 years, expiring 8 January 2100	Industrial land erected with a plant process area, warehouse, propane dehydrogenation room and other related buildings and facilities/Currently used as a propane dehydrogenation plant	4 September 1998	49,429/ 137,593	Shall not be transferred, charged or leased unless with the prior written consent by the State Authority.	-	20,513

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
3.	MTBE Malaysia H.S.(D) 34912, No.P.T. 15129, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang	Double storey building/Currently used as an emergency response building	31 May 2002	1,239/61,876	Shall not be transferred, charged or leased unless with the prior written consent by the State Authority.	-	3,567
	Lot 139C Kawasan Perindustrian Gebeng, Fasa 3, Mukim Sungai Karang, 26080, Kuantan, Pahang						
	Leasehold for 99 years, expiring 8 January 2100						
4.	OPTIMAL Chemicals, OPTIMAL Glycols and OPTIMAL Olefins (each a 1/3 part owner) H.S.(D) 3385, PT No. 10535, Mukim Kertih, Daerah Kemaman, Negeri Terengganu	Industrial land erected with a TNB substation/Currently used as a substation	24 April 2002	1,943/ 3,886	(i) The alienated land shall not be transferred, charged or leased unless with the prior written consent by the State Authority; and (ii) The alienated land shall not be sub-divided.	(i) 2 charges created by OPTIMAL Chemicals in favour of Malayan Banking Berhad (ii) 2 charges created by OPTIMAL Glycols in favour of Malayan Banking Berhad	505
	PETRONAS Petroleum Industry Complex, KM 106 Jalan Kuala Terengganu-Kuantan, 24300 Kertih, Kemaman, Terengganu						
	Leasehold of 60 years, expiring on 29 August 2060						



11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
5.	OPTIMAL Chemicals, OPTIMAL Glycols and OPTIMAL Olefins (each a 1/3 part owner) H.S.(D) 3316, PT No. 9015, Mukim Kerthi, Daerah Kemaman, Negeri Terengganu PETRONAS Petroleum Industry Complex, KM 106 Jalan Kuala Terengganu-Kuantan, 24300 Kerthi, Kemaman, Terengganu Leasehold of 60 years, expiring on 29 August 2060	Industrial land erected with a waste water and treatment substation/Currently used as a waste water treatment and substation	6 November 2002, 16 February 2003, 19 February 2004 and 4 June 2009	86,823/ 260,469	(i) The alienated land shall not be transferred, charged or leased unless with the prior written consent by the State Authority; and (ii) The alienated land shall not be sub-divided.	(i) 2 charges created by OPTIMAL Chemicals in favour of Malaysian Banking Berhad (ii) 2 charges created by OPTIMAL Glycols in favour of Malaysian Banking Berhad.	33,824
6.	OPTIMAL Chemicals, OPTIMAL Glycols and OPTIMAL Olefins (each a 1/3 part owner) Pajakan Negeri No. Hakmilik 7594, No. Lot 8068, Mukim Kerthi, Daerah Kemaman, Negeri Terengganu PETRONAS Petroleum Industry Complex, KM 106 Jalan Kuala Terengganu-Kuantan, 24300 Kerthi, Kemaman, Terengganu Leasehold of 60 years, expiring on 29 August 2060	Industrial land erected with a plant process area, central control room, operations and substation building, administration building, warehouses and related buildings and facilities/Currently used as a plant for the production of ethylene derivatives	30 April 2002, 7 May 2002, 23 February 2003, 23 October 2003, 28 April 2008 and 1 June 2008	203,691/ 610,100	(i) Shall not be transferred, charged or leased unless with the prior written consent by the State Authority; and (ii) Shall not be sub-divided.	(i) Lease of part of land (104,943 sq metres) registered in favour of OPTIMAL Olefins for 30 years expiring on 8 November 2035 (ii) Lease of part of land (71,915 sq metres) registered in favour of OPTIMAL Chemicals for 30 years, expiring on 8 November 2035 (iii) Lease of part of the land (55,046 sq metres) registered in favour of OPTIMAL Glycols for 30 years, expiring on 8 November 2035	79,352

11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
7.	Ethylene Malaysia Pajakan Negeri No. Hakmilik 6282, No. Lot 8075, Daerah Kemaman, Mukim Kerih, Negeri Terengganu  Lot 3834 Kawasan Bukit Tengah, KM 105, Jalan Kuala Terengganu- Kuantan, 24300 Kerih, Kemaman, Terengganu  Leasehold of 51 years, expiring on 16 June 2052	Industrial land erected with a process plant for ethylene, process plant for polyethylene, utilities plant, pipe compounding plant, administration building and control building/Currently used as a plant for production of ethylene/polyethylene	30 October 1995, 21 August 1997, 12 January 2009 and 30 September 2009	354,025/ 567,800	(i) Shall not be transferred, charged or leased unless with the consent by the State Authority; and  (ii) Shall not be sub-divided.	(iv) 2 charges created by OPTIMAL Chemicals in favour of Malayan Banking Berhad  (v) 2 charges created by OPTIMAL Glycols in favour of Malayan Banking Berhad  (vi) 2 leases charged by OPTIMAL Chemicals in favour of Malayan Banking Berhad  (vii) 2 leases charged by OPTIMAL Glycols in favour of Malayan Banking Berhad	3,212

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
8.	Ethylene Malaysia Pajakan Negeri No. Hakmilik 3939, No. Lot 5217, Daerah Kemaman, Mukim Kertih, Negeri Terengganu  Lot 3834 Kawasan Bukit Tengah, KM 105, Jalan Kuala Terengganu-Kuantan, 24300 Kertih, Kemaman, Terengganu  Leasehold of 60 years, expiring on 23 October 2054	Industrial land erected with a tank farm and raw water storage pond/Currently used as a water storage facility	30 October 1995, 21 August 1997 and 12 January 2009	102,045/ 191,200	(i) The alienated land shall not be transferred, charged or leased unless with the prior written consent of the State Authority, and  (ii) The alienated land shall not be sub-divided.	-	1,239
9.	PETLIN Pajakan Negeri No. Hakmilik 7593, No. Lot 8073, Mukim Kertih, Daerah Kemaman, Negeri Terengganu  Lot 9717, Petronas Petroleum Industry Complex, Kertih Industrial Area, KM105, Jalan Kuala Terengganu-Kuantan, 24300 Kertih, Kemaman, Terengganu  Leasehold of 60 years, expiring on 19 August 2060	Industrial land erected with a plant process area, centralised lab, control room, instrumentation room, integrated warehouse, administration building, maintenance office, logistics warehouse and office/Currently used as a plant for production of LDPE	11 September 2002, 28 September 2003, 3 April 2005, 24 December 2007 and 10 June 2009	24,335/ 184,700	(i) Shall not be transferred, charged or leased unless with the prior written consent by the State Authority, and  (ii) Shall not be sub-divided.	-	1,580

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
10.	Vinyl Chloride (Malaysia) Pajakan Negeri No. Hakmilik 3331, No. Lot 5276, Daerah Kemaman, Mukim Kerthi, Negeri Terengganu Level 1, Kompleks Pentadbiran Petrokimia Petronas, 24300 Kerthi, Kemaman, Terengganu Leasehold of 60 years, expiring on 8 January 2055	Industrial land erected with a plant process area, main control building, substation, oxychlorination unit, EDC purification unit, EDC cracker unit, VCM purification unit, tankage yard, chemical and schedule waste storage and other related buildings and facilities/Currently used as a plant for production of VCM	2 February 2000, 5 May 2009 and 17 August 2009	205,285/ 284,100	(i) The alienated land shall not be transferred, charged or leased unless with the prior written consent by the State Authority, and  (ii) The alienated land shall not be sub-divided.	-	4,166
11.	Vinyl Chloride (Malaysia) Pajakan Negeri No. Hakmilik 7394, No. Lot 6058, Daerah Kemaman, Mukim Kerthi, Negeri Terengganu Level 1, Kompleks Pentadbiran Petrokimia Petronas, 24300 Kerthi, Kemaman, Terengganu Leasehold of 60 years, expiring on 18 December 2056	Industrial land erected with a main control building, substation, catalyst building, reactor unit, slurry processing and dryer unit, bagging and product warehouse/Currently used as a plant for the production of VCM	2 February 2000, 27 April 2004, 30 January 2008 and 8 April 2009	42,904/ 121,400	(i) The alienated land shall not be transferred, charged or leased unless with the prior written consent by the State Authority, and  (ii) The alienated land shall not be sub-divided.	-	1,780

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
12.	PETRONAS Methanol (part owner) and Sabah Energy Corporation Sdn Bhd ("Sabah Energy") (part owner) <sup>(2)</sup> Country Lease No. 205350607, Kg. Ranche-Rancha, Wilayah Persekutuan Labuan	Industrial land erected with a methanol factory complex, office building and building/Currently used as a plant for production of methanol	27 February 2008 <sup>(3)</sup>	144,030/ 184,540 (144,030 sq metres owned by PETRONAS Methanol)	-	-	30,449
13.	ASEAN Bintulu Fertilizer No.323, Block 20, Lot 35 Kemena Land District, Bintulu, Sarawak KM 18, Tanjung Kidurong, 97000 Bintulu, Sarawak Leasehold for 99 years, expiring on 19 February 2083	Mixed zone/town land erected with an ammonia plant, granulation buildings, bulk storage buildings, workshop, chemical warehouse and compressor house/Currently used as a plant for production of urea and ammonia	23 March 1984, 6 May 1985, 23 March 1994, 6 May 1995, 13 March 1999, 8 May 2001, 28 August 2001, 21 June 2002, 15 January 2003, 19 August 2003, 12 April 2004, 11 November 2006 and 27 March 2007	165,731/ 379,500	-	-	5,431

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
14.	ASEAN Bintulu Fertilizer No.321, Lot 2233, Block 26, Kemena land District, Bintulu, Sarawak SS1/7, Lorong 5, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	1 unit detached house/Currently used as a dwelling house	30 June 1986	326/1,141	-	-	241
15.	ASEAN Bintulu Fertilizer No.321, Lot 2234, Block 26, Kemena land District, Bintulu, Sarawak SS1/6, Lorong 5, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	1 unit detached house/Currently used as a dwelling house	30 June 1986	326/1,188	-	-	246
16.	ASEAN Bintulu Fertilizer No.321, Lot 2235, Block 26, Kemena land District, Bintulu, Sarawak SS1/5, Lorong 5, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	1 unit detached house/Currently used as a dwelling house	30 June 1986	326/1,082	-	-	232

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
17.	ASEAN Bintulu Fertilizer No.321, Lot 2236, Block 26, Kemena land District, Bintulu, Sarawak	1 unit detached house/Currently used as a dwelling house	30 June 1986	326/993	-	-	223
	SS1/4, Lorong 5, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak						
	Leasehold for 60 years, expiring on 8 May 2046						
18.	ASEAN Bintulu Fertilizer No.321, Lot 2237, Block 26, Kemena land District, Bintulu, Sarawak	1 unit detached house/Currently used as a dwelling house	30 June 1986	326/1,482	-	-	278
	SS1/3, Lorong 5, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak						
	Leasehold for 60 years, expiring on 8 May 2046						

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
19.	ASEAN Bintulu Fertilizer No.321, Lot 2238, Block 26, Kemena land District, Bintulu, Sarawak	1 unit detached house/Currently used as a dwelling house	30 June 1986	326/1,221	-	-	250
	SS1/2, Lorong 5, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak						
	Leasehold for 60 years, expiring on 8 May 2046						
20.	ASEAN Bintulu Fertilizer No.321, Lot 2239, Block 26, Kemena land District, Bintulu, Sarawak	1 unit detached house/Currently used as a dwelling house	30 June 1986	326/1,191	-	-	246
	SS1/1, Lorong 5, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak						
	Leasehold for 60 years, expiring on 8 May 2046						
21.	ASEAN Bintulu Fertilizer No.321, Lot 2266, Block 26, Kemena land District, Bintulu, Sarawak	Vacant land	N/A	N/A/1,074	-	-	215
	SS2(O)/10, Lorong 2, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak						
	Leasehold for 60 years, expiring on 8 May 2046						



## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
22.	ASEAN Bintulu Fertilizer No.321, Lot 2275, Block 26, Kemena land District, Bintulu, Sarawak SS2(O)/9, Lorong 2, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	Vacant land	N/A	N/A / 1,115	-	-	219
23.	ASEAN Bintulu Fertilizer No.321, Lot 2276, Block 26, Kemena land District, Bintulu, Sarawak SS2(O)/8, Lorong 2, Off Jalan Abg Matasan, ABF Housing, Tanjung Kidurong, 97000 Bintulu, Sarawak Leasehold for 60 years, expiring on 8 May 2046	Vacant land	N/A	N/A / 926	-	-	196
24.	PETRONAS Fertilizer <sup>(1)</sup> Pajakan Negeri No. Hakmiik 1010, No. Lot 10750 Bandar Gurun, Daerah Kuala Muda, Kedah KM3, Jalan Jeniang, P.O. Box 22, 08300 Gurun, Kedah Leasehold for 99 years expiring on 22 April 2102	Industrial land erected with a plant process area, utility factory, railway facility, storage facility, workshop, warehouse and administration buildings/Currently used as a plant for production of urea and ammonia	16 September 1996 <sup>(4)</sup>	39,190/ 699,100	-	-	22,440

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
25.	PETRONAS Ammonia <sup>(1)</sup> Pajakan Negeri No. Hakmilik 7588, No. Lot 8066, Mukim Kerthi, Daerah Kemaman, Negeri Terengganu Kompleks Pentadbiran Petrokimia Petronas, 24300 Kerthi, Kemaman, Terengganu Leasehold of 60 years, expiring on 19 August 2060	Industrial land erected with a plant process area, main control building, substation, reformer heater unit, reformer heater shelter, 2 compressor house buildings, coldbox unit, cooling water towers and other related buildings/Currently used as a plant for production of ammonia and any other related gas	10 December 2001	61,620/ 98,490	(i) The alienated land shall not be transferred, charged or leased unless with the prior written consent by the State Authority; and  (ii) The alienated land shall not be sub-divided.	-	1,876
26.	Polypropylene Malaysia <sup>(1)</sup> H.S. (D) 9686, No. Lot P.T., 4536, Mukim Sungai Karang Daerah Kuantan, Negeri Pahang Lot 112, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Leasehold of 66 years, expiring on 14 July 2058	Industrial land erected with a plant process area, polypropylene laboratory, polypropylene warehouse and polypropylene control room/Currently used as a plant for production of polypropylene	30 March 1991, 7 August 1991 and 30 March 1992	48,731/202,300	The alienated land shall be used solely as an industrial lot.	-	2,191

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
27.	Kertih Port Pajakan Negeri No. Hakmilik 4695, No. Lot 7120, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Lot 3834, Kawasan Bukit Tengah KM 105, Jalan Kuantan-Kertih, Kuala Terengganu, 24300 Kertih, Kemaman, Terengganu Leasehold of 60 years, expiring on 5 March 2060	Multi-purpose berth/Currently used for the operations of Kertih Port	3 January 2001	N/A/ 43,100	(i) Shall not be transferred, charged or leased unless with the consent of the State Authority; and  (ii) Shall not be sub-divided.	-	34
28.	Kertih Port Pajakan Negeri No. Hakmilik 4696, No. Lot 7121, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Lot 3834, Kawasan Bukit Tengah KM 105, Jalan Kuantan-Kertih Kuala Terengganu, 24300 Kertih, Kemaman, Terengganu Leasehold of 60 years, expiring on 5 March 2060	Gas and oil pipelines constructed on an industrial land	N/A	N/A/ 41,400	(i) Shall not be transferred, charged or leased unless with the consent of the State Authority; and  (ii) Shall not be sub-divided.	-	461

## 11. LANDED PROPERTIES (cont'd)

No.	Name of registered owner/Beneficial owner: Location/Tenure	Description of property/ Existing use	Date of issuance/ approval of CF or as otherwise stated	Built-up area/ Land area (sq metre)	Restriction in interest	Encumbrances on property	Audited NBV as at 31 July 2010 (RM 000)
29.	Kertih Port <sup>(1)</sup> Pajakan Negeri No. Hakmilik 6280, No. Lot 8077 Mukim Kertih, Daerah Kemaman, Negeri Terengganu Lot 3633, Kawasan Bukit Tengah KM 105, Jalan Kuantan-Kertih Kuala Terengganu, 24300 Kertih, Kemaman, Terengganu Leasehold of 51 years, expiring on 16 June 2052	Industrial land erected with an administration complex and other related facilities/ Currently used for the operations of Kertih Port	20 December 2000	4,737/ 58,570	(i) The land shall not be transferred, charged or rented except with the prior written approval of the Menteri Besar of Terengganu; and  (ii) The land shall not be subdivided.	-	1,214

## Notes:

N/A Not applicable.

- (1) The sukuk issue by PETRONAS Global Sukuk Ltd. in August 2009 involved a notional sale of beneficial interest in these properties. For further details on the sukuk issue, refer to Section 17.1.5 of this Prospectus.
- (2) PETRONAS Methanol and Sabah Energy are currently the joint registered owners of the said land, PETRONAS Methanol owns 14.403 hectares and Sabah Energy owns 4.051 hectares of the said land. In a sale and purchase agreement dated 15 March 2007, PETRONAS Methanol purchased from Sabah Energy, an area measuring approximately 35.6 acres which is equivalent to 32/41 portion of the said land (45.6 acres or equivalent to 18.454 hectares in area). The transfer of PETRONAS Methanol's undivided portion of the said land has been registered. The said land is currently pending subdivision into separate and divisional plots (including PETRONAS Methanol's undivided portion).
- (3) The CF issued on 27 February 2008 was for the administration building of PETRONAS Methanol. The Labuan Corporation has on 12 May 2010 issued a temporary occupation permit (ref: PL/PKB/100-0/1/1(15)) to PETRONAS Methanol for the Mega Methanol Plant 2. PETRONAS Methanol had on 19 August 2010 paid an inspection fee amounting to RM2,521.50 to the Labuan Corporation. The CF for the Mega Methanol Plant 2 will be issued to PETRONAS Methanol upon completion of inspection of the said plant by the Labuan Corporation.

**11. LANDED PROPERTIES (cont'd)**

**Notes (cont'd):**

- (4) 1 office building which is currently occupied by 11 employees has not been issued with a CF. The office building which was initially constructed as a temporary building for project use is currently used as a permanent building by the employees of PETRONAS Fertilizer. PETRONAS Fertilizer has on 21 February 2008 applied to the Majlis Perbandaran Sungai Petani for issuance of the CF. The CF application for the said property is currently being processed by the Majlis Perbandaran Sungai Petani.
- (5) On 15 September 2010, Kertih Port received a letter from the Kemaman Land Office clarifying that the said land has been zoned as "Industrial Area" as part of the Kemaman District Local Plans i.e. "Rancangan Tempatan Daerah Kemaman" and there is no need to vary the expressed conditions for the purpose of the construction of office buildings in relation to the relevant industrial activity thereon.

Save as disclosed in notes 3 and 4 above, none of the properties disclosed above are in breach of any land use conditions and/or is in material non-compliance with current statutory requirements, land rules or building regulations. No valuations have been conducted on any of the properties disclosed above.

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## 11. LANDED PROPERTIES (cont'd)

## 11.2 PROPERTIES LEASED/TENANTED BY OUR GROUP

The details of material properties leased/tenanted by us as at the date of this Prospectus are set out below:

No.	Name of lessor/lessee or landlord/tenant or grantor/grantee; Location/Postal address	Description of property/Existing use	Built-up area/ Land area (sq metre)	Tenure/ date of expiry	Rental per annum (Unless otherwise stated)  (RM unless otherwise stated)
1.	Shanghai Pufa Tower Property Co., Ltd (as landlord)/ MITCO (as tenant)  Unit H, Floor 11, Pufa Tower #588, Pudong Rd. (S), Pudong New Area, Shanghai	1 unit office space/Currently used as a representative office in Shanghai, China	116/N/A	A lease for 2 years expiring on 23 August 2011	Renminbi 305,268
2.	Mr. Jianyun Xu (as landlord)/ MITCO (as tenant)  West Linhe Road, Tianhe District (A1103, No. 161) (Real Estate Property Right No. C4810276)	1 unit office space/Currently used as a representative office in Guangzhou, China	102/N/A	A lease for 2 years, expiring on 30 April 2011	Renminbi 127,848
3.	Burjuman Centre LLC (as landlord)/ MITCO (as tenant)  Unit No. BT1/L7/03, Floor No. 7, Burjuman Business Tower, Burj Dubai, Dubai United Arab Emirates	1 unit office space/Currently used as representative office in Dubai, United Arab Emirates	883/N/A	A tenancy for 1 year expiring on 14 May 2011	United Arab Emirates Dirham 224,910
4.	PETRONAS Penapisan (Terengganu) (as lessor)/Aromatics Malaysia (as lessee)  H.S.(D) 2402 P.T. No. 4462, Mukim Kertih, Daerah Kemaman, Negeri Terengganu	Industrial land erected with an immediate storage tank for benzene and paraxylene	2,284/142,343	A lease for 30 years, expiring on 31 January 2027	946,703 (one-off payment by the lessee to the lessor)
5.	PETRONAS Penapisan (Terengganu) (as lessor)/Aromatics Malaysia (as lessee)  H.S.(D) 1753 P.T. No. 3825, Mukim Kertih, Daerah Kemaman, Negeri Terengganu	Industrial land erected with 4 processing units with related facilities, for production of benzene and paraxylene	16,079/159,029	A lease for 30 years, expiring on 31 January 2027	1,515,970 (one-off payment by the lessee to the lessor)
	PETRONAS Penapisan (Terengganu) Sdn Bhd, 24300 Kertih, Kemaman, Terengganu				
	PETRONAS Penapisan (Terengganu) Sdn Bhd, 24300 Kertih, Kemaman, Terengganu				

## 11. LANDED PROPERTIES (cont'd)

No.	Name of lessor/lessee or landlord/tenant or grantor/grantee; Location/Postal address	Description of property/Existing use	Built-up area/ Land area (sq metre)	Tenure/ date of expiry	Rental per annum (Unless otherwise stated) (RM unless otherwise stated)
6.	<b>PETRONAS Penapisan (Terengganu) (as lessor)/Aromatics Malaysia (as lessee)</b> Pajakan Negeri 3412 No. Lot 3679 Mukim Kerthih, Daerah Kemaman, Negeri Terengganu	Industrial land erected with a storage tank for benzene and paraxylene	4,180/289,251	A lease for 30 years, expiring on 31 January 2027	953,798 (one-off payment by the lessee to the lessor)
7.	<b>PETRONAS Penapisan (Terengganu) (as lessor)/Aromatics Malaysia (as lessee)</b> Pajakan Negeri 3941 No. Lot 1858 Mukim Kerthih, Daerah Kemaman, Negeri Terengganu	Industrial land erected with 4 processing units to produce reformat relating for production of benzene and paraxylene	17,738/649,797	A lease for 30 years, expiring on 31 January 2027	1,515,970 (one-off payment by the lessee to the lessor)
8.	<b>Lembaga Pelabuhan Kuantan (as lessor)/MTBE Malaysia (as lessee)</b> Pajakan Negeri 550 Lot No. 1863, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang	Industrial land erected with a control room, substation and chemical storage area	27,228/65,100	A lease for 23 years, expiring on 31 March 2013	429,009
9.	<b>Lembaga Pelabuhan Kuantan (as lessor)/MTBE Malaysia (as lessee)</b> Pajakan Negeri 550 Lot No. 1863, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang	Industrial land erected with jetty related facilities	14,560/29,120	A lease for 23 years, expiring on 31 March 2013	191,901
	Lot 112 Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang				

## 11. LANDED PROPERTIES (cont'd)

No.	Name of lessor/lessee or landlord/tenant or grantor/grantee; Location/Postal address	Description of property/Existing use	Built-up area/ Land area (sq metre)	Tenure/ date of expiry	Rental per annum (Unless otherwise stated)  (RM unless otherwise stated)
10.	Lembaga Pelabuhan Kuantan (as lessor)/MTBE Malaysia (as lessee)  Pajakan Negeri 550 Lot No. 1863, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang	Pipe rack facility constructed on an industrial land	11,857/13,302	A lease for 25 years, expiring on 31 December 2027	120,386
	Lot 112 Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang				
11.	Lembaga Pelabuhan Kuantan (as lessor)/MTBE Malaysia (as lessee)	Industrial land erected with a common tankfarm facility and substation	520/27,430	A lease for 25 years expiring on 30 December 2027	248,242
	Lot 112 Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang				
12.	Lembaga Pelabuhan Kuantan (as lessor)/MTBE Malaysia (as lessee)  H.S.(D) 20628 P.T. No. 8080 (17,500 sq metres); H.S.(D) 20629 P.T. No. 8081 (2,300 sq metres); H.S.(D) 20630 P.T. No. 8082 (7,374 sq metres); H.S.(D) 20631 P.T. No. 8083 (2,006 sq metres); H.S.(D) 20632 P.T. No. 8084 (1,702 sq metres); H.S.(D) 20633 P.T. No. 8085 (1,457 sq metres); H.S.(D) 20634 P.T. No. 8086 (2,255 sq metres); H.S.(D) 20635 P.T. No. 8087 (1,140 sq metres); H.S.(D) 20636 P.T. No. 8088 (3,107 sq metres); H.S.(D) 20637 P.T. No. 8089 (1,409 sq metres); H.S.(D) 20638 P.T. No. 8090 (4,058.94 sq metres); H.S.(D) 20639 P.T. No. 8091 (5,746 sq metres); H.S.(D) 20640 P.T. No. 8092 (1,651 sq metres); and H.S.(D) 20641 P.T. No. 8093 (320 sq metres)	Pipe rack facility constructed on an industrial land	29,817/52,026	A lease for 30 years expiring 31 December 2032	450,102
	all located in Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang				
	Lot 112 Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang				



## 11. LANDED PROPERTIES (cont'd)

No.	Name of lessor/lessee or landlord/tenant or grantor/grantee; Location/Postal address	Description of property/Existing use	Built-up area/ Land area (sq metre)	Tenure/ date of expiry	Rental per annum (Unless otherwise stated) (RM unless otherwise stated)
13.	Sabah Energy (as lessor)/PETRONAS Methanol (as lessee) Title No. 206291590, Kg. Ranchar-Ranchar, Federal Territory of Labuan	Industrial land erected with 1 methanol factory complex and 1 office building complex	150,000/231,260	A lease for 51 years, expiring on 30 December 2043	278,000
14.	Ranchar-Ranchar Industrial Estate, 87010 Wilayah Persekutuan Labuan Penang Port Sdn Bhd (as lessor)/PETRONAS Fertilizer (as lessee) No. H.S.(D) 9813, No. Lot Plot 'A' Bandar Buttenworth Seksyen 4, Daerah Seberang Perai Utara, Negeri Pulau Pinang	Industrial land erected with an area storage facility, urea export facility, loading and railway facility/Currently used as an urea export terminal	8,083/22,600	A lease for 25 years, expiring on 31 May 2022	206,474
15.	Wharf 1, Dermaga Air Dalam, Penang Port Sdn Bhd, 12000 Bagan Dalam, Buttenworth, Pulau Pinang Kertih Terminals (as grantor)/PETRONAS Ammonia (as grantee) PN 3387, Lot No. 3633, Mukim Kertih, Daerah Kemaman, Negeri Terengganu	Pipeline racks constructed on an industrial land for transporting chemicals and utilities between plants to other chemical plants	N/A/926	An easement and right of way for 3 years and upon expiry, shall be automatically renewed without notice for successive periods of 3 years until 16 June 2052	1,000
16.	BP PETRONAS Acetyls (as grantor)/PETRONAS Ammonia (as grantee) H.S.(D) 3282 PT 8972, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Darul Iman	Hydrogen pipeline system constructed on an industrial land which includes hydrogen pipeline, fittings and support facilities	N/A/183	An access right subsisting for the period of the duration of the shareholders agreement between PETRONAS and BP PETRONAS Acetyls	1 (one-off payment by the lessee to the lessor)
17.	PETRONAS Gas (as grantor)/PETRONAS Ammonia (as grantee) H.S.(D) 3284 PT 3970, Mukim Kertih, Daerah Kemaman, Negeri Terengganu Darul Iman, now held under Pajakan Negeri No. Hakmilik 7591, No. Lot 8065, Mukim Kertih, Daerah Kemaman, Terengganu Darul Iman	Hydrogen pipeline system constructed on an industrial land which includes hydrogen pipeline, fittings and support facilities	N/A/150	An access right for 10 years expiring on 17 July 2015 which shall be renewed for a second term of 10 years and shall be further renewed at the agreement of the parties	Access rights of RM15,000 and annual access rights fees of RM2,000 per annum

## 11. LANDED PROPERTIES (cont'd)

No.	Name of lessor/lessee or landlord/tenant or grantor/grantee; Location/Postal address	Description of property/Existing use	Built-up area/ Land area (sq metre)	Tenure/ date of expiry	Rental per annum (Unless otherwise stated)  (RM unless otherwise stated)
18.	Department of Natural Resources and Environment of Ba Ria - Vung Tau province (as lessor)/Phu My (as lessee)  Phuoc Hoa Village, Tan Thanh District, Ba Ria Vung Tau Province  Cai Mep Industrial Zone, Tan Thanh District, Ba Ria- Vung Tau Province	Industrial land erected with a plant for production of PVC	N/A/150,000	A lease for 30 years, expiring on 5 May 2030	USD78,492
19.	Fei Yueh Vietnam Co., Ltd (as lessor)/Phu My (as lessee)  Royal Centre, 235 Nguyen Van Cu Street, District 1, Ho Chi Minh City  Level 10, PETRONAS Tower- Royal Centre, 235 Nguyen Van Cu St., District 1, Ho Chi Minh City	1 unit office space/Currently used as a representative office in Ho Chi Minh City, Vietnam	317/N/A	A lease for 20 years (review every 5 years)	USD144,780

**Note:**

N/A Not applicable.

None of the properties disclosed above are in breach of any land use conditions and/or is in material non-compliance with current statutory requirements, land rules or building regulations. No valuations have been conducted on any of the properties disclosed above.

## 12. INFORMATION ON OUR GROUP

### 12.1 HISTORY AND BACKGROUND

#### 12.1.1 History and Business

Our Company was incorporated in Malaysia under the Act on 25 March 1998 as a private limited company under the name of Kuantan Terminals Sdn Bhd. On 26 October 2009, we changed our name to PETRONAS Chemicals Group Sdn Bhd. On 27 August 2010, our Company was converted into a public limited company and assumed our present name. Prior to the IPO, we implemented the Reorganisation to consolidate our downstream petrochemical operations under our Company.

Our principal activity is to carry on the business of an investment and/or holding company and for that purpose to purchase, subscribe for or otherwise acquire and hold shares, stock, debentures, bonds, obligations and securities issued by or guaranteed by any company or legal entity whether constituted in Malaysia or elsewhere whilst our Group is principally engaged in manufacturing, marketing and selling of petrochemical products.

#### 12.1.2 Reorganisation

The Reorganisation comprised, amongst others, the following:

##### (i) Distributions before Listing and redemption of RPS

Between 1 August 2010 and 1 September 2010, PETRONAS Fertilizer, MITCO, MTBE Malaysia, PETRONAS Ammonia, Ethylene Malaysia and OPTIMAL Olefins declared dividends of an aggregate amount of RM2,744.8 million, all of which was fully paid out of cash generated from operations of our Subsidiaries by 30 September 2010. The details of the dividends are as follows:

Subsidiaries	Dividends declared
	RM million
PETRONAS Fertilizer	150.0
MITCO	150.0
MTBE Malaysia	735.0
PETRONAS Ammonia	200.0
Ethylene Malaysia	1,000.0
OPTIMAL Olefins	509.8
	2,744.8

In addition, the RPS in MITCO and PETLIN were redeemed in cash by 31 July 2010 at an aggregate redemption price of RM150 million and RM80.1 million respectively.

##### (ii) Disposal of MITCO (Japan)

On 31 July 2010, PETRONAS and MITCO entered into a sale and purchase agreement for the disposal of MITCO (Japan) for a total cash consideration of RM210.0 million, which was equivalent to MITCO's cost of investment in MITCO (Japan) as at 31 March 2010.

## 12. INFORMATION ON OUR GROUP (cont'd)

MITCO (Japan) is principally involved in the trading and procurement of equipments, steel products and materials. The disposal of MITCO (Japan) by MITCO to PETRONAS was undertaken as part of the Reorganisation to better align and consolidate PETRONAS' petrochemical businesses. As MITCO (Japan) is not involved in the petrochemical business, the disposal of MITCO (Japan) is not expected to have any implications on our Group's core petrochemical business, financially or otherwise.

The disposal of MITCO (Japan) was completed on 31 July 2010.

## (iii) Acquisition of Subsidiaries, Associates and Jointly Controlled Entity

- (a) Between 30 August 2010 to 20 September 2010, our Company acquired from PETRONAS, PETRONAS Maritime and PETRONAS International, shares in the following companies for a total purchase consideration of RM12,975.8 million, of which RM12,465.9 million was satisfied by the issue of 7,290 million Shares to PETRONAS and RM509.9 million constituted an amount payable by our Company to PETRONAS Maritime and PETRONAS International ("PETRONAS Cash Consideration") respectively as follows:

Acquiree	<sup>(1)</sup> Interest acquired %	No. of Shares issued	Purchase consideration RM million
<b>Companies acquired from PETRONAS:</b>			
MITCO	100.00	34,184,714	58.5
MTBE Malaysia	100.00	779,447,798	1,332.9
OPTIMAL Chemicals	100.00	633,189,042	1,082.8
Vinyl Chloride (Malaysia)	100.00	12,711,163	21.7
PETRONAS Methanol	100.00	1,304,225,231	2,230.2
OPTIMAL Glycols	100.00	576,523,913	985.9
Polypropylene Malaysia	100.00	84,347,246	144.2
PETRONAS Ammonia	100.00	388,661,207	664.6
PETRONAS Fertilizer	100.00	644,003,341	1,101.2
OPTIMAL Olefins	88.00	884,418,442	1,512.4
Ethylene Malaysia	72.50	269,380,282	460.6
Aromatics Malaysia	70.00	707,981,804	1,210.6
ASEAN Bintulu Fertilizer	63.47	335,885,897	574.4
PETLIN	60.00	259,708,568	444.1
Polyethylene Malaysia	40.00	13,442,165	23.0
BASF PETRONAS Chemicals	40.00	235,011,099	401.9
Kertih Terminals	40.00	52,192,853	89.2
BP PETRONAS Acetyls	30.00	50,766,980	86.8
Idemitsu SM	30.00	23,918,255	40.9
<b>Total</b>		<b>7,290,000,000</b>	<b>12,465.9</b>

**Note:**

- <sup>(1)</sup> Including interest in the existing RPS held in Aromatics Malaysia, OPTIMAL Chemicals, OPTIMAL Glycols, Vinyl Chloride (Malaysia) and PETLIN.

## 12. INFORMATION ON OUR GROUP (cont'd)

Acquiree	Interest acquired %	Purchase consideration RM million
<b>Company acquired from PETRONAS Maritime:</b>		
Kertih Port	100.00	416.9
<b>Company acquired from PETRONAS International:</b>		
Phu My	93.11	93.0 <sup>(1)</sup>
<b>Total</b>		<b>509.9</b>

**Note:**

<sup>(1)</sup> Represent RM equivalent of USD29.9 million based on the transacted exchange rate of RM3.1080: USD1 on 20 September 2010, being the relevant completion date.

The purchase consideration was determined based on the higher of cost of investment and share of proforma NA of each of the Subsidiaries, Associates and Jointly Controlled Entity (after taking into consideration, the distributions before Listing, disposal of MITCO (Japan) as set out in Section 12.1.2 (i) and (ii) above and redemption of RPS by certain Subsidiaries and Associate).

- (b) On 2 September 2010, PETRONAS acquired shares in the following companies and loans from BP Asia Pacific Malaysia Sdn Bhd to Polyethylene Malaysia, for a total purchase consideration of USD325.6 million (equivalent to RM1,018.1 million) ("BP Cash Consideration"):

Acquiree	Interest acquired	Purchase consideration	
	%	USD million	Equivalent RM million <sup>(1)</sup>
Ethylene Malaysia	12.79	216.0	675.3
Polyethylene Malaysia	60.00	109.6 <sup>(2)</sup>	342.8
<b>Total</b>		<b>325.6</b>	<b>1,018.1</b>

**Notes:**

<sup>(1)</sup> Based on the transacted exchange rate of RM3.1265: USD1 on 2 September 2010, being the relevant completion date.

<sup>(2)</sup> Includes acquisition of loans from BP Asia Pacific Malaysia Sdn Bhd to Polyethylene Malaysia of USD53.16 million.

Arising thereof, PETRONAS nominated our Company as the registered owner of the shares in Polyethylene Malaysia and Ethylene Malaysia and our Company will settle the BP Cash Consideration.

## 12. INFORMATION ON OUR GROUP (cont'd)

The share purchase agreement between PETRONAS and BP Chemicals dated 27 August 2010 also allowed PETRONAS to acquire an additional stake in Ethylene Malaysia of up to 2.21% ("**Additional Stake**") from BP Chemicals for a cash consideration of up to USD37.1 million ("**Additional BP Cash Consideration**"), subject to the other shareholder of Ethylene Malaysia, namely Idemitsu Kosan not exercising its pre-emption right to acquire the whole or any part of the Additional Stake. On 8 October 2010, PETRONAS acquired the entire Additional Stake from BP Chemicals for USD37.1 million (equivalent to RM115.0 million based on the transacted exchange rate of RM3.0990:USD1 on 8 October 2010, being the relevant completion date) as Idemitsu Kosan opted not to exercise its pre-emption right. Accordingly, PETRONAS nominated our Company as the registered owner of the Additional Stake.

The BP Cash Consideration and Additional BP Cash Consideration were funded by a loan from PETRONAS. Further details of the loan are set out in Section 12.1.2 (v) of this Prospectus.

The purchase consideration was determined on a willing buyer willing seller basis, after taking into consideration the enterprise value over EBITDA multiples, price-earnings multiples and discounted cash flows of Ethylene Malaysia and Polyethylene Malaysia.

### (iv) Acquisition of certain liabilities of our Subsidiaries

Pursuant to the Acquisition of Subsidiaries, Associates and Jointly Controlled Entity, our Company acquired liabilities (comprising shareholder loans and intercompany balances owing by our Subsidiaries to PETRONAS and PETRONAS International) from PETRONAS and PETRONAS International for an aggregate purchase consideration of approximately RM1,277.4 million, representing an amount payable by our Company to PETRONAS and PETRONAS International ("**Debts Acquisition Payable**") in the following manner:

Subsidiaries/Associates	Debts owing/ Amount due to	
	PETRONAS RM million	PETRONAS International RM million
PETRONAS Methanol	350.0	-
Vinyl Chloride (Malaysia)	700.9	-
Kertih Port	38.4	-
Polyethylene Malaysia	110.4 <sup>(1)</sup>	-
Phu My	-	77.7 <sup>(2)</sup>
<b>Total</b>	<b>1,199.7</b>	<b>77.7</b>

**12. INFORMATION ON OUR GROUP (cont'd)**

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**Notes:**

- (1) *Represent RM equivalent of amount owing of USD35.4 million, based on the transacted exchange rate of RM3.1145: USD1 on 6 September 2010, being the relevant completion date.*
- (2) *Represent RM equivalent of amount owing of USD25.0 million, based on the transacted exchange rate of RM3.1080: USD1 on 20 September 2010, being the relevant completion date.*

The rationale for the Debts Acquisition Payable of the Subsidiaries is to consolidate under our Company all the loans and advances that existed between the Subsidiaries and PETRONAS or PETRONAS International since our Company will be the immediate holding company of the Subsidiaries after the consummation of the Reorganisation.

**(v) Loan facility**

Our Company has on 6 September 2010, obtained a loan of up to RM4.3 billion from PETRONAS ("**Loan Facility**") to fund the PETRONAS Cash Consideration, BP Cash Consideration, Additional BP Cash Consideration, Debts Acquisition Payable and other general corporate expenses. The Facility is for a tenure of 2 years from the date of first drawdown of the Facility with an interest rate calculated at 6-month Kuala Lumpur Inter-bank Offered Rate plus 0.7% per annum. The said interest shall accrue and become payable by our Company to PETRONAS based on scheduled repayments.

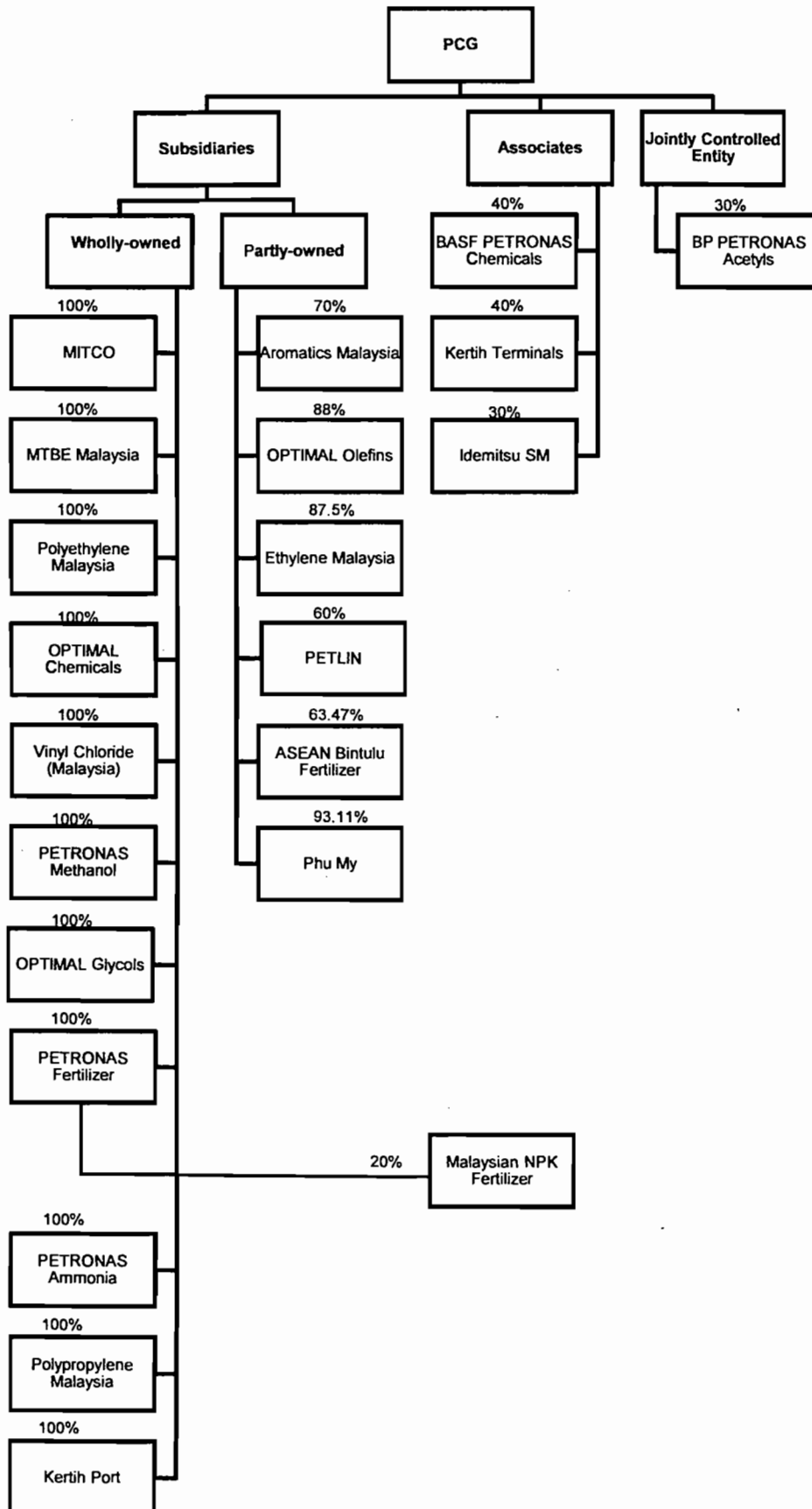
As at the date of this Prospectus, the Reorganisation has been completed.

For a detailed description of the impact of the Reorganisation, refer to Section 8.9 of this Prospectus for the pro forma consolidated balance sheets of our Company.

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12. INFORMATION ON OUR GROUP (cont'd)

Our corporate structure after the Reorganisation and prior to the IPO is set out below:





## 12. INFORMATION ON OUR GROUP (cont'd)

### 12.1.3 Share Capital

As at the Latest Practicable Date, our authorised share capital is RM1,500,000,000 comprising 15,000,000,000 Shares and our issued and paid-up share capital is RM730,000,000 comprising 7,300,000,000 Shares.

The changes in our issued and paid-up share capital for the past 3 years preceding the Latest Practicable Date are as follows:

<u>Date of allotment/ Date of redemption</u>	<u>No. of shares/RPS issued</u>	<u>Par value RM</u>	<u>Consideration</u>	<u>Cumulative issued and paid-up share capital RM</u>
As at 30 September 2007	1,000 shares and 1 special rights RPS	1,000	-	1,001,000
11 September 2009	1 special rights RPS	1,000	Redeemed at issue price of RM1,000	1,000,000
27 August 2010	-	0.10	Subdivision of shares par value from RM1,000 to RM0.10	1,000,000
30 August 2010	2,094,131,397 Shares	0.10	Issued as consideration pursuant to the acquisition of the OPTIMAL Companies under the Reorganisation	210,413,139.70
6 September 2010	5,195,868,603 Shares	0.10	Issued as consideration pursuant to the Reorganisation (save for the acquisition of the OPTIMAL Companies)	730,000,000

Our issued and paid-up share capital would subsequently increase to RM800,000,000 comprising 8,000,000,000 Shares following the Public Issue.

## 12. INFORMATION ON OUR GROUP (cont'd)

### 12.2 SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITY

Our Subsidiaries, Associates and Jointly Controlled Entity as at the date of this Prospectus are as follows:

Name	Date and place of incorporation	Issued and paid-up share capital RM (unless otherwise stated)	Group effective equity interest %	Principal activities
<b>Wholly-owned Subsidiaries</b>				
MITCO	28 January 1982 Malaysia	12,500,005	100.00	Marketing of petrochemical products
MTBE Malaysia	31 March 1989 Malaysia	300,000,000	100.00	Manufacturing and sale of MTBE, propylene and n-butane
Polyethylene Malaysia	11 July 1991 Malaysia	210,000,000	100.00	Manufacturing and sale of polyethylene
OPTIMAL Chemicals	31 July 1998 Malaysia	247,579,000	100.00	Manufacturing and marketing of ethylene oxide derivatives, propylene derivatives products and related chemical products
Vinyl Chloride (Malaysia)	21 July 1993 Malaysia	210,807,000	100.00	Manufacturing, marketing and distribution of VCM and PVC
PETRONAS Methanol	20 March 1992 Malaysia	125,000,000	100.00	Processing natural gas into methanol and the sale of methanol
OPTIMAL Glycols	31 July 1998 Malaysia	192,744,000	100.00	Manufacturing and marketing of ethylene oxide, ethylene glycol and other related by-products
PETRONAS Fertilizer	6 January 1983 Malaysia	90,002,000	100.00	Production and sale of urea, ammonia and methanol
PETRONAS Ammonia	1 December 1997 Malaysia	50,000,000	100.00	Production and sale of ammonia, syngas and carbon monoxide
Polypropylene Malaysia	31 March 1989 Malaysia	90,000,000	100.00	Manufacturing and marketing of polypropylene
Kertih Port	19 July 1993 Malaysia	2,000	100.00	Owning, operating and managing the Kertih Marine Facilities
<b>Partly-owned Subsidiaries</b>				
Aromatics Malaysia	9 November 1995 Malaysia	407,520,000	70.00	Production and sale of paraxylene, benzene and other by-products
OPTIMAL Olefins	31 July 1998 Malaysia	212,432,500	88.00	Manufacturing and marketing of ethylene, propylene and other hydrocarbon by-products
Ethylene Malaysia	11 July 1991 Malaysia	<sup>(1)</sup> 350,000,000	87.50	Manufacturing and sale of ethylene
PETLIN	9 March 1999 Malaysia	78,700,000	60.00	Manufacturing and marketing of low-density polyethylene pellets
ASEAN Bintulu Fertilizer	6 December 1980 Malaysia	300,000,000	63.47	Production and sale of ammonia and urea

## 12. INFORMATION ON OUR GROUP (cont'd)

Name	Date and place of incorporation	Issued and paid-up share capital RM (unless otherwise stated)	Group effective equity interest %	Principal activities
Phu My	4 July 1995 Vietnam	USD35,000,000	93.11	Manufacturing, buying, importing, distributing, exporting and selling PVC resin and other related chemical products
<b>Associates</b>				
BASF PETRONAS Chemicals	28 October 1997 Malaysia	1,000,000,000	40.00	Manufacturing and marketing of acrylic, oxo and butanediol products
Kertih Terminals	5 April 1997 Malaysia	40,001,000	40.00	Providing bulk chemical storage and handling services
Malaysian NPK Fertilizer	20 April 2001 Malaysia	70,000,000	<sup>(2)</sup> 20.00	Manufacturing and sale of NPK fertilizer products
Idemitsu SM	19 November 1993 Malaysia	135,700,000	30.00	Manufacturing and marketing of ethylbenzene, styrene monomer, toluene and benzene toluene mixture
<b>Jointly Controlled Entity</b>				
BP PETRONAS Acetyls	27 September 1997 Malaysia	57,300,000	30.00	Manufacturing and sale of acetic acid

**Notes:**

- (1) *The share capital of Ethylene Malaysia includes 100,000 ordinary shares of RM1,000 each which are issued but not called-up.*
- (2) *The equity interest in Malaysian NPK Fertilizer is held through PETRONAS Fertilizer.*

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**12. INFORMATION ON OUR GROUP (cont'd)**

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The details of our wholly-owned Subsidiaries as at the Latest Practicable Date are set out below:

**12.2.1 MITCO (Company No. 80474-V)**

MITCO was incorporated in Malaysia under the Act on 28 January 1982 as a private limited company under its present name. MITCO is principally involved in the marketing of petrochemical products and commenced its business on 28 January 1982.

The authorised share capital of MITCO is RM200,000,000 comprising 100,000,000 ordinary shares of RM1 each and 1,000,000 RPS of RM100. The issued and paid-up share capital is RM12,500,005 comprising 12,500,005 ordinary shares of RM1.00 each.

There has been no change in the issued and paid-up share capital of MITCO for the past 3 years preceding the Latest Practicable Date, except that, MITCO redeemed 6,000 RPS of RM100 each, 6,400 RPS of RM100 each and 30,000 RPS of RM100 each on 17 March 2009, 15 March 2010 and 23 July 2010, respectively.

MITCO does not have any subsidiaries or associates.

**12.2.2 MTBE Malaysia (Company No. 180387-T)**

MTBE Malaysia was incorporated in Malaysia under the Act on 31 March 1989 as a private limited company under its present name. MTBE Malaysia is principally involved in the manufacture and sale of MTBE, propylene and n-butane and commenced its business in December 1992.

The authorised share capital of MTBE Malaysia is RM350,000,000 comprising 300,000 ordinary shares of RM1,000 each and 50,000 RPS of RM1,000 each. The issued and paid-up share capital is RM300,000,000 comprising 300,000 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of MTBE Malaysia for the past 3 years preceding the Latest Practicable Date.

MTBE Malaysia does not have any subsidiaries or associates.

**12.2.3 Polyethylene Malaysia (220664-W)**

Polyethylene Malaysia was incorporated in Malaysia under the Act on 11 July 1991 as a private limited company under its present name. Polyethylene Malaysia is principally involved in the manufacturing and sale of polyethylene and commenced its business in May 1995.

The authorised share capital of Polyethylene Malaysia is RM210,000,000 comprising 210,000 ordinary shares of RM1,000 each. The issued and paid-up share capital is RM210,000,000 comprising 210,000 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of Polyethylene Malaysia for the past 3 years preceding the Latest Practicable Date.

Polyethylene Malaysia does not have any subsidiaries or associates.

**12. INFORMATION ON OUR GROUP (cont'd)**

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**12.2.4 OPTIMAL Chemicals (Company No. 466586-D)**

OPTIMAL Chemicals was incorporated in Malaysia under the Act on 31 July 1998 as a private limited company under its present name. OPTIMAL Chemicals is principally involved in the manufacturing and marketing of ethylene oxide derivatives, propylene derivative product and related chemical products and commenced its business on 1 April 2002.

The authorised share capital of OPTIMAL Chemicals is RM550,000,000 comprising 935,162 ordinary shares of RM500 each and 164,838 RPS of RM500 each. The issued and paid-up share capital is RM247,579,000 comprising 330,320 ordinary shares of RM500 each and 164,838 RPS of RM500 each.

There has been no change in the issued and paid-up share capital of OPTIMAL Chemicals for the past 3 years preceding the Latest Practicable Date.

OPTIMAL Chemicals does not have any subsidiaries or associates.

**12.2.5 Vinyl Chloride (Malaysia) (Company No. 270713-V)**

Vinyl Chloride (Malaysia) was incorporated in Malaysia under the Act on 21 July 1993 as a private limited company under the name of Land & General Petrochemicals Sdn Bhd. On 16 November 1995, the company changed its name to its present name. Vinyl Chloride (Malaysia) is principally involved in the manufacturing, marketing and distribution of VCM and PVC and commenced its business on 11 September 2000.

The authorised share capital of Vinyl Chloride (Malaysia) is RM500,000,000 comprising 492,803 ordinary shares of RM1,000 each and 7,197 RPS of RM1,000 each. The issued and paid-up share capital is RM210,807,000 comprising 203,610 ordinary shares of RM1,000 each and 7,197 RPS of RM1,000 each.

There has been no change in the issued and paid-up share capital of Vinyl Chloride (Malaysia) for the past 3 years preceding the Latest Practicable Date.

Vinyl Chloride (Malaysia) does not have any subsidiaries or associates.

**12.2.6 PETRONAS Methanol (Company No. 236696-H)**

PETRONAS Methanol was incorporated in Malaysia under the Act on 20 March 1992 as a private limited company and commenced its business on the same day. PETRONAS Methanol is principally involved in the processing of natural gas into methanol and the sale of methanol.

The authorised share capital of PETRONAS Methanol is RM200,000,000 comprising 200,000 ordinary shares of RM1,000 each. The issued and paid-up share capital is RM125,000,000 comprising 125,000 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of PETRONAS Methanol for the past 3 years preceding the Latest Practicable Date.

PETRONAS Methanol does not have any subsidiaries or associates.

**12. INFORMATION ON OUR GROUP (cont'd)****12.2.7 OPTIMAL Glycols (Company No. 466592-M)**

OPTIMAL Glycols was incorporated in Malaysia under the Act on 31 July 1998 as a private limited company under its present name. OPTIMAL Glycols is principally involved in the business of manufacturing and marketing of ethylene oxide, ethylene glycol and other related by-products and commenced its business on 6 February 2002.

The authorised share capital of OPTIMAL Glycols is RM600,000,000 comprising 1,071,548 ordinary shares of RM500 each and 128,452 RPS of RM500 each. The issued and paid-up share capital is RM192,744,000 comprising 257,036 ordinary shares of RM500 each and 128,452 RPS of RM500 each.

There has been no change in the issued and paid-up share capital of OPTIMAL Glycols for the past 3 years preceding the Latest Practicable Date.

OPTIMAL Glycols does not have any subsidiaries or associates.

**12.2.8 PETRONAS Fertilizer (Company No. 95357-W)**

PETRONAS Fertilizer was incorporated in Malaysia under the Act on 6 January 1983 as a private limited company under the name of Gerudi Satu Sdn Bhd. On 1 December 1994, the company changed its name to its present name. PETRONAS Fertilizer is principally involved in the production and sale of urea, ammonia and methanol and commenced its business in May 1999.

The authorised share capital of PETRONAS Fertilizer is RM500,000,000 comprising 450,000 ordinary shares of RM1,000 each and 50,000 RPS of RM1,000 each. The issued and paid up share capital is RM90,002,000 comprising 90,002 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of PETRONAS Fertilizer for the past 3 years preceding the Latest Practicable Date, except that, PETRONAS Fertilizer redeemed 50,000 RPS of RM1,000 each on 17 February 2010.

PETRONAS Fertilizer has one associated company namely, Malaysian NPK Fertilizer in which PETRONAS Fertilizer has a 20% equity interest. PETRONAS Fertilizer does not have any subsidiaries.

**12.2.9 PETRONAS Ammonia (Company No. 454245-A)**

PETRONAS Ammonia was incorporated in Malaysia under the Act on 1 December 1997 as a private limited company under its present name. PETRONAS Ammonia is principally involved in the production and sale of ammonia, syngas and carbon monoxide and commenced its business in November 2000.

The authorised share capital of PETRONAS Ammonia is RM300,000,000 comprising 200,000 ordinary shares of RM1,000 each and 100,000 RPS of RM1,000 each. The issued and paid-up share capital is RM50,000,000 comprising 50,000 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of PETRONAS Ammonia for the past 3 years preceding the Latest Practicable Date.

PETRONAS Ammonia does not have any subsidiaries or associates.

**12. INFORMATION ON OUR GROUP (cont'd)**

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**12.2.10 Polypropylene Malaysia (Company No. 180388-X)**

Polypropylene Malaysia was incorporated in Malaysia under the Act on 31 March 1989 as a private limited company under its present name. Polypropylene Malaysia is principally involved in the manufacturing and marketing of polypropylene and commenced its business in November 1992.

The authorised share capital of Polypropylene Malaysia is RM90,000,000 comprising 90,000 ordinary shares of RM1,000 each. The issued and paid-up share capital is RM90,000,000 comprising 90,000 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of Polypropylene Malaysia for the past 3 years preceding the Latest Practicable Date.

Polypropylene Malaysia does not have any subsidiaries or associates.

**12.2.11 Kertih Port (Company No. 270388-A)**

Kertih Port was incorporated in Malaysia under the Act on 19 July 1993 as a private limited company under its present name. Kertih Port is principally involved in the business of owning, operating and managing the Kertih Marine Facilities and commenced its business on 16 July 1995.

The authorised share capital of Kertih Port is RM100,000 comprising 100 ordinary shares of RM1,000 each. The issued and paid-up share capital is RM2,000 comprising 2 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of Kertih Port for the past 3 years preceding the Latest Practicable Date.

Kertih Port does not have any subsidiaries or associates.

The details of our partly-owned Subsidiaries as at the Latest Practicable Date are set out below:

**12.2.12 Aromatics Malaysia (Company No. 366646-U)**

Aromatics Malaysia was incorporated in Malaysia under the Act on 9 November 1995 as a private limited company under its present name. Aromatics Malaysia is principally involved in the production and sale of paraxylene, benzene and by-products and commenced its business on 1 July 2000.

The authorised share capital of Aromatics Malaysia is RM500,000,000 comprising 250,000 ordinary shares of RM1,000 each and 250,000 RPS of RM1,000 each. The issued and paid-up share capital is RM407,520,000 comprising 203,760 ordinary shares of RM1,000 and 203,760 RPS of RM1,000 each.

There has been no change in the issued and paid-up share capital of Aromatics Malaysia for the past 3 years preceding the Latest Practicable Date.

**12. INFORMATION ON OUR GROUP (cont'd)**

The shareholders of Aromatics Malaysia and their shareholdings in Aromatics Malaysia as at the Latest Practicable Date are set out below:

<u>Shareholders</u>	<u>No. of ordinary shares</u>	<u>%</u>	<u>No. of RPS</u>	<u>%</u>
PCG	142,632	70	142,632	70
MJPX Co. Ltd	61,128	30	61,128	30

Aromatics Malaysia does not have any subsidiaries or associates.

**12.2.13 OPTIMAL Olefins (Company No. 466583-K)**

OPTIMAL Olefins was incorporated in Malaysia under the Act on 31 July 1998 as a private limited company under its present name. OPTIMAL Olefins is principally involved in the manufacturing and marketing of ethylene, propylene and other hydrocarbon by-products and commenced its business in January 2002.

The authorised share capital of OPTIMAL Olefins is RM1,500,000,000 comprising 3,000,000 ordinary shares of RM500 each. The issued and paid-up share capital is RM212,432,500 comprising 424,865 ordinary shares of RM500 each.

There has been no change in the issued and paid-up share capital of OPTIMAL Olefins for the past 3 years preceding the Latest Practicable Date.

The shareholders of OPTIMAL Olefins and their shareholdings in OPTIMAL Olefins as at the Latest Practicable Date are set out below:

<u>Shareholders</u>	<u>No. of ordinary shares</u>	<u>%</u>
PCG	373,881	88
Sasol	50,984	12

OPTIMAL Olefins does not have any subsidiaries or associates.

**12.2.14 Ethylene Malaysia (Company No. 220663-X)**

Ethylene Malaysia was incorporated in Malaysia under the Act on 11 July 1991 as a private limited company under its present name. Ethylene Malaysia is principally involved in the manufacturing and sale of ethylene and commenced its business in September 1995.

The authorised share capital of Ethylene Malaysia is RM450,000,000 comprising 450,000 ordinary shares of RM1,000 each. The issued share capital is RM450,000,000 comprising 350,000 ordinary shares of RM1,000 each which are issued and fully paid-up whilst 100,000 ordinary shares of RM1,000 each are issued but not called-up.

There has been no change in the issued and paid-up share capital of Ethylene Malaysia for the past 3 years preceding the Latest Practicable Date.



**12. INFORMATION ON OUR GROUP (cont'd)**

The shareholders of Ethylene Malaysia and their shareholdings in Ethylene Malaysia as at the Latest Practicable Date are set out below:

Shareholders	No. of ordinary shares	%
PCG	306,250	87.5
Idemitsu Kosan	43,750	12.5

Ethylene Malaysia does not have any subsidiaries or associates.

**12.2.15 PETLIN (Company No. 478535-T)**

PETLIN was incorporated in Malaysia under the Act on 9 March 1999 as a private limited company. PETLIN is principally involved in the manufacturing and marketing of low-density polyethylene pellets and commenced its business in February 2002.

The authorised share capital of PETLIN is RM600,000,000 comprising 500,000 ordinary shares of RM1,000 each and 100,000 RPS of RM1,000 each. The issued and paid-up share capital is RM78,700,000 comprising 52,200 ordinary shares of RM1,000 each and 26,500 RPS of RM1,000 each in PETLIN.

There has been no change in the issued and paid-up share capital of PETLIN for the past 3 years preceding the Latest Practicable Date, except that, PETLIN redeemed 9,420 RPS of RM1,000 each on 20 July 2010.

The shareholders of PETLIN and their shareholdings in PETLIN as at the Latest Practicable Date are set out below:

Shareholders	No. of ordinary shares	%	No. of RPS	%
PCG	31,320	60	15,900	60
Sasol	20,880	40	10,600	40

PETLIN does not have any subsidiaries or associates.

**12.2.16 ASEAN Bintulu Fertilizer (Company No. 65199-P)**

ASEAN Bintulu Fertilizer was incorporated in Malaysia under the Act on 6 December 1980 as a private limited company under its present name. ASEAN Bintulu Fertilizer is principally involved in the production and sale of ammonia and urea and commenced its business in September 1985.

The authorised share capital of ASEAN Bintulu Fertilizer is RM300,000,000 comprising 300,000 ordinary shares of RM1,000 each. The issued and paid-up share capital is RM300,000,000 comprising 300,000 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of ASEAN Bintulu Fertilizer for the past 3 years preceding the Latest Practicable Date.

**12. INFORMATION ON OUR GROUP (cont'd)**

The shareholders of ASEAN Bintulu Fertilizer and their shareholdings in ASEAN Bintulu Fertilizer as at the Latest Practicable Date are set out below:

<b>Shareholders</b>	<b>No. of ordinary shares</b>	<b>%</b>
PCG	190,400	63.47
Ministry of Finance, Thailand	39,000	13
The Republic of Indonesia	39,000	13
National Development Company of the Philippines	28,600	9.53
Temasek Holdings (Pte) Ltd	3,000	1

ASEAN Bintulu Fertilizer does not have any subsidiaries or associates

**12.2.17 Phu My (Investment Licence No. 1305/GP)**

PMPC was incorporated in Vietnam in accordance with the old Foreign Investment Law on 4 July 1995 as a joint venture enterprise under the name of OXY-VINA Plastics and Chemical Company Limited. On 8 August 1997, the company changed its name to Phu My Plastics and Chemical Company Limited. On 8 August 2007, Phu My was re-registered to operate under the new Enterprise Law and new Investment Law in the form of a limited liability company with two members or more following the change in Vietnamese law. The terms of operation of Phu My is 30 years from 6 May 2000. Phu My commenced its business in October 2002.

Phu My is principally involved in the manufacturing, buying, importing, distributing, exporting and selling PVC resin and other related chemical products.

The charter capital of Phu My is USD35,000,000.

There has been no change in the charter capital of Phu My for the past 3 years preceding the Latest Practicable Date.

The shareholders of Phu My and their contribution to the charter capital of Phu My as at the Latest Practicable Date are set out below:

<b>Shareholders</b>	<b>Contribution to Charter Capital</b>	<b>%</b>
PCG	USD32,589,286	93.11
Vung Tau Shipyard Corporation	USD2,410,714	6.89

Phu My does not have any subsidiaries or associates.

**12. INFORMATION ON OUR GROUP (cont'd)**

The details of our Associates as at the Latest Practicable Date are set out below:

**12.2.18 BASF PETRONAS Chemicals (451307-K)**

BASF PETRONAS Chemicals was incorporated in Malaysia under the Act on 28 October 1997 as a private limited company under its present name. BASF PETRONAS Chemicals is principally involved in the manufacture and marketing of acrylic, oxo and butanediol products and commenced its business in July 2000.

The authorised share capital of BASF PETRONAS Chemicals is RM2,400,000,000 comprising 2,375,000 ordinary shares of RM1,000 each and 25,000 RPS of RM1,000 each. The issued and paid-up share capital is RM1,000,000,000 comprising 1,000,000 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of BASF PETRONAS Chemicals for the past 3 years preceding the Latest Practicable Date, except that, BASF PETRONAS Chemicals redeemed 10,000 RPS of RM1,000 each and 4,000 RPS of RM1,000 each on 20 November 2009 and 20 May 2010 respectively.

The shareholders of BASF PETRONAS Chemicals and their shareholdings in BASF PETRONAS Chemicals as at the Latest Practicable Date are set out below:

Shareholders	No. of ordinary shares	%
PCG	400,000	40
BASF Nederland B.V.	600,000	60

BASF PETRONAS Chemicals does not have any subsidiaries or associates.

**12.2.19 Kertih Terminals (426308-W)**

Kertih Terminals was incorporated in Malaysia under the Act on 5 April 1997 as a private limited company under the name of Nusjaya Sdn Bhd. On 19 August 1997, the company changed its name to its present name. Kertih Terminals is principally involved in providing bulk chemical storage and handling services and commenced its business in January 2000.

The authorised share capital of Kertih Terminals is RM200,001,000 comprising 150,000 ordinary shares of RM1,000 each, 50,000 RPS of RM1,000 each and 1 special rights RPS of RM1,000 each. The issued and paid-up share capital is RM40,001,000 comprising 40,000 ordinary shares of RM1,000 each and 1 special rights RPS of RM1,000 each.

There has been no change in the issued and paid-up share capital of Kertih Terminals for the past 3 years preceding the Latest Practicable Date.

**12. INFORMATION ON OUR GROUP (cont'd)**

The shareholders of Kertih Terminals and their shareholdings in Kertih Terminals as at the Latest Practicable Date are set out below:

Shareholders	No. of ordinary shares	%
PCG	16,000	40
Dialog Equity Sdn Bhd	12,000	30
Vopak Terminal Penjuru Pte Ltd	12,000	30

Kertih Terminals does not have any subsidiaries or associates.

**12.2.20 Malaysian NPK Fertilizer (545623-W)**

Malaysian NPK Fertilizer was incorporated in Malaysia under the Act on 20 April 2001 as a private limited company under its present name. Malaysian NPK Fertilizer is principally involved in the manufacturing and sale of NPK fertilizer products and commenced its business on 19 November 2004.

The authorised share capital of Malaysian NPK Fertilizer is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM70,000,000 comprising 70,000,000 ordinary shares of RM1.00 each.

There has been no change in the issued and paid-up share capital of Malaysian NPK Fertilizer for the past 3 years preceding the Latest Practicable Date.

The shareholders of Malaysian NPK Fertilizer and their shareholdings in Malaysian NPK Fertilizer as at the Latest Practicable Date are set out below:

Shareholders	No. of ordinary shares	%
Pertubuhan Peladang Kebangsaan (National Farmers Organisation)	56,000,000	80
PETRONAS Fertilizer	14,000,000	20

Malaysian NPK Fertilizer does not have any subsidiaries or associates.

**12.2.21 Idemitsu SM (282006-D)**

Idemitsu SM was incorporated in Malaysia under the Act on 19 November 1993 as a private limited company under the name of Ibarat Sama Sdn Bhd. On 21 September 1995, the company changed its name to its present name. Idemitsu SM is principally involved in manufacturing and marketing of ethylbenzene, styrene monomer, toluene and benzene toluene mixture and commenced its business in February 1997.

The authorised share capital of Idemitsu SM is RM500,000,000 comprising 500,000 ordinary shares of RM1,000 each. The issued and paid-up share capital is RM135,700,000 comprising 135,700 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of Idemitsu SM for the past 3 years preceding the Latest Practicable Date.

**12. INFORMATION ON OUR GROUP (cont'd)**

The shareholders of Idemitsu SM and their shareholdings in Idemitsu SM as at the Latest Practicable Date are set out below:

<b>Shareholders</b>	<b>No. of ordinary shares</b>	<b>%</b>
PCG	40,710	30
Idemitsu Kosan	94,990	70

Idemitsu SM does not have any subsidiaries or associates.

The details of our Jointly Controlled Entity as at the Latest Practicable Date are set out below:

**12.2.22 BP PETRONAS Acetyls (448334-P)**

BP PETRONAS Acetyls was incorporated in Malaysia under the Act on 27 September 1997 as a private limited company under its present name. BP PETRONAS Acetyls is principally involved in the manufacturing and sale of acetic acid and commenced its business in November 2000.

The authorised share capital of BP PETRONAS Acetyls is RM132,000,000 comprising 110,000 ordinary shares of RM1,000 each and 220,000 RPS of RM100 each. The issued and paid-up share capital is RM57,300,000 comprising 57,300 ordinary shares of RM1,000 each.

There has been no change in the issued and paid-up share capital of BP PETRONAS Acetyls for the past 3 years preceding the Latest Practicable Date.

The shareholders of BP PETRONAS Acetyls and their shareholdings in BP PETRONAS Acetyls as at the Latest Practicable Date are set out below:

<b>Shareholders</b>	<b>No. of ordinary shares</b>	<b>%</b>
PCG	17,190	30
BP Holdings International B.V.	40,110	70

BP PETRONAS Acetyls does not have any subsidiaries or associates.

For details of our principal place of business and principal assets, refer to Section 7 of this Prospectus.

Save as disclosed in this Prospectus, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital at the date of this Prospectus.

None of our Shares and shares/charter capital in our Subsidiaries were issued and allotted at a discount or have any special terms. Save as disclosed in Section 12.2.14 of this Prospectus, our issued Shares and issued shares/charter capital in our Subsidiaries are fully paid-up.

As at the Latest Practicable Date, neither our Company nor our Subsidiaries are involved in any bankruptcy, receivership or similar proceedings.

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER

#### 13.1 BOARD OF DIRECTORS

Within the limits set by our Articles, our Board is responsible for the governance and management of our Company. To ensure the effective discharge of its functions, our Board endeavours to follow our corporate governance guidelines, which set out the following responsibilities:

- (i) to review and approve our annual corporate plan, which includes our overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan;
- (ii) to oversee the conduct of our businesses, and to evaluate whether the businesses are being properly managed;
- (iii) to identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- (iv) to manage succession planning, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management;
- (v) to develop and implement an investor relations program or shareholders' communications policy for our Company;
- (vi) to review the adequacy and integrity of our internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines (including Bursa Securities LR, securities laws and the Act);
- (vii) to review and approve our financial statements;
- (viii) to review and approve our Audit Committee Report at the end of each financial year;
- (ix) to review and approve our Annual Report; and
- (x) to prepare a corporate governance statement in compliance with the Malaysian Code of Corporate Governance and an internal control statement for the Annual Report.

In accordance with Article 84 of our Articles, at the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, we must have at least 2 and (unless otherwise determined by an ordinary resolution) not more than 12 Directors at any time. At least 2 of our Directors or one-third of our Board of Directors, whichever is higher, must also at all times be independent directors.

As at the date of this Prospectus, our Board consists of 9 Directors, 3 of whom are Independent Directors.

In accordance with Article 93 of our Articles, each Director shall retire from office once every 3 years but is eligible for re-election. One-third of the Directors or, if the number of Directors is not 3 or a multiple of 3, the number nearest to one-third, shall retire from office at each annual general meeting and such Directors are eligible for re-election. The Directors to retire in each year are those who have been in office longest.

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

The members of our Board of Directors, all of whom are Malaysians (save for Kim Dong Soo, who is a Korean), as at the date of this Prospectus are as follows:

Name	Age	Date of appointment	Designation
Datuk Wan Zulkiflee bin Wan Ariffin	50	15 December 2008	Non-Independent Non-Executive Chairman
Dato' Tengku Mahamad bin Tengku Mahamut	56	22 June 2010	President/Chief Executive Officer
Kamarudin bin Zakaria	56	23 October 2007	Non-Independent Non-Executive Director
Datuk Manharlal a/l Ratilal	51	15 December 2008	Non-Independent Non-Executive Director
Md Arif bin Mahmood	48	15 December 2008	Non-Independent Non-Executive Director
Datuk Anuar bin Ahmad	56	22 June 2010	Non-Independent Non-Executive Director
Ching Yew Chye	57	13 August 2010	Independent Non-Executive Director
Vimala a/p V.R. Menon	56	13 August 2010	Independent Non-Executive Director
Kim Dong Soo	63	13 August 2010	Independent Non-Executive Director

The management and operations of our Company is led by Dato' Tengku Mahamad bin Tengku Mahamut, our President/Chief Executive Officer. The members of our Board (save for our Independent Non-Executive Directors) are representatives of PETRONAS, our corporate shareholder, substantial shareholder and Promoter.

The details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office as at the Latest Practicable Date are as follows:

Director	Date of appointment	Date of expiration of the current term of office	No. of years in office
Datuk Wan Zulkiflee bin Wan Ariffin	15 December 2008	July 2012	1.8 years
Dato' Tengku Mahamad bin Tengku Mahamut	22 June 2010	July 2012	1.8 years
Kamarudin bin Zakaria	23 October 2007	July 2011	2.7 years
Datuk Manharlal a/l Ratilal	15 December 2008	July 2011	1.7 years
Md Arif bin Mahmood	15 December 2008	July 2011	1.7 years
Datuk Anuar bin Ahmad	22 June 2010	July 2012	1.8 years
Ching Yew Chye	13 August 2010	July 2013	2.8 years
Vimala a/p V.R. Menon	13 August 2010	July 2013	2.8 years
Kim Dong Soo	13 August 2010	July 2013	2.8 years

**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

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**13.1.1 Profiles of our Directors**

**Datuk Wan Zulkiflee bin Wan Ariffin**, aged 50, is our Non-Independent Non-Executive Chairman. He graduated with a Bachelor of Engineering degree in Chemical Engineering from the University of Adelaide, South Australia in 1982.

He joined PETRONAS in 1983 as a process engineer and was involved in the project implementation and operations of several gas processing facilities up to 1995. In the ensuing years, he has held several positions in the PETRONAS Group including serving in the Office of the President as Senior Manager (Downstream Business)/Executive Assistant to the President and as General Manager, International Projects Management Division of OGP Technical Services Sdn Bhd. He was the General Manager of the Strategy and Business Development Unit of PETRONAS where he was responsible for the evaluation of business opportunities and the mergers and acquisition activities of PETRONAS, before assuming the position of Managing Director/Chief Executive Officer of PETRONAS Gas from 2003 to 2006. Prior to his appointment as the Executive Vice President of Downstream Business, he was the Vice President of Gas Business from April 2006 until May 2010. He was the Chairman of PETRONAS Gas from August 2008 up to August 2010. He was subsequently appointed as the Chairman of PETRONAS Dagangan in August 2010. Effective 1 June 2010, he assumed the position of Executive Vice President of Downstream Business of PETRONAS.

He was conferred the Honorary Fellowship by the Institute of Chemical Engineers of UK in November 2005. He was on the Council for the Project Management Institute, Malaysian Chapter until end 2003 and the Malaysian Chemical Engineers Institute. He is a member of the Executive Committee of the International Gas Union, Argentinean Triennium until 2009. He is the National Organising Committee Chairman of the World Gas Conference 2012. He is also the Industry Advisor to the Engineering Faculty, University Putra Malaysia and Chairman of the Malaysian-Egyptian Business Council. He attended the INSEAD Senior Management Development Program in 2000 and the Advanced Management Program at Harvard Business School in 2004.

He currently sits on the Board of Directors of PETRONAS, is a member of the Management Committee and Executive Committee of PETRONAS and currently sits on the Board of Directors of several joint ventures and subsidiary companies in the PETRONAS Group.



**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

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**Dato' Tengku Mahamad bin Tengku Mahamut**, aged 56, is our President/Chief Executive Officer. He graduated with a Bachelor of Technology degree in Polymers Technology and Masters of Science in Polymer Engineering from Brunel University, Middlesex, UK in 1981.

He started his career as a Lecturer in the School of Applied Science in the MARA Institute of Technology, Malaysia from April 1981 to August 1982. Prior to joining the PETRONAS Group, he spent 17.5 years with Exxon Chemicals in various technical sales, marketing and management positions in the polyolefins business across Exxon Chemical's worldwide operations in Malaysia, Belgium, Indonesia, Japan and Hong Kong.

He began his career with the PETRONAS Group in October 1998 as the Group Head, Industrial and Specialty Chemicals. He was appointed as the Managing Director/Chief Executive Officer of Vinyl Chloride (Malaysia), Aromatics Malaysia and PETRONAS Methanol from October 1998 to December 2005 where he was primarily responsible for executing management policies and guidelines, leading the overall business activities and supervising the overall management of the subsidiaries. He was instrumental in overseeing the success of Aromatics Malaysia and Vinyl Chloride (Malaysia) from construction phase to commercial operations. In November 2002, he joined the OPTIMAL Companies as the Deputy Chief Executive Officer and was subsequently promoted to Chief Executive Officer of the OPTIMAL Companies in January 2006. He was primarily responsible for the overall management of OPTIMAL Companies's world class integrated petrochemical facility located within the PETRONAS IPC in Kertih, Malaysia. He was instrumental in chartering the strategic business development and competitive performance of the OPTIMAL Companies.

He is also the President of the Malaysian Petrochemical Association and serves on the Executive Committee of the Chemical Industries Council of Malaysia. He currently sits on the Board of Directors of several companies in the PETRONAS Group.

**Kamarudin bin Zakaria**, aged 56, is our Non-Independent Non-Executive Director. He graduated with a Bachelor of Science (Honours) degree in Chemical Engineering from the University of Surrey, UK in 1978.

Prior to joining PETRONAS, he was attached to Esso Malaysia Berhad at the Port Dickson Refinery for 4.5 years specialising in process engineering and production planning in both ammonia and refinery facilities. He joined PETRONAS in 1984 as Senior Process Engineer and held various senior positions until he was made a General Manager (Plant) at ASEAN Bintulu Fertilizer plant in Sarawak. He also served both PETRONAS (Penapisan) Melaka and PETRONAS Penapisan (Terengganu) in various capacities as the General Manager (Refinery) and Chief Executive Officer. In 2006, he was tasked to set up PETRONAS Group Technology Solution ("**PETRONAS GTS**") as a centre of excellence in providing technical support and best practices to the PETRONAS Group. The establishment of PETRONAS GTS has resulted in a marked improvement in the overall safety, efficiency and asset utilisation of the plant and facilities within PETRONAS. He was subsequently promoted as the Vice President of the Petrochemical Business of PETRONAS in November 2007 and appointed as a member of the PETRONAS Management Committee. Effective June 2010, he was appointed as the Vice President of Downstream Operations of PETRONAS and is primarily responsible for operational excellence of the downstream assets of PETRONAS and front end project delivery.

**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

In January 2010, he was elected as the Chairman of the Malaysian Charter of the Institute of Chemical Engineers of UK and is currently a member of the Fellow of the Institute of Chemical Engineers, UK. He currently chairs and sits on the Board of Directors of several companies in the PETRONAS Group.

**Datuk Manharlal a/l Ratilal**, aged 51, is our Non-Independent Non-Executive Director. He graduated with a Bachelor of Arts (Honours) degree in Accountancy from the City of Birmingham Polytechnic, UK in 1982 and Master in Business Administration from the University of Aston in Birmingham, UK in 1984.

Prior to joining PETRONAS in 2003, he was attached to RHB Investment Bank Berhad for 18 years, concentrating on corporate finance, where he was involved in advisory work in mergers and acquisitions and equity and debt capital markets. From 1998 to 2002, he served as the Managing Director of RHB Investment Bank Berhad.

Currently, he is a Board member of PETRONAS. He is also the Executive Vice President (Finance) of PETRONAS and a member of its Executive Committee and Management Committee. He was appointed to the Board of Directors of KLCC Property Holdings Berhad on 16 June 2004 and as a member of the Audit Committee of KLCC Property Holdings Berhad on 9 July 2004. On 29 April 2006, he was appointed to the Board of Directors of Cagamas Berhad as a Non-Executive Director. He currently sits on the Board of Directors of Cagamas Holdings Berhad and Danajamin Nasional Berhad and is the Chairman of the Audit Committee of Cagamas Berhad. He also sits on the Board of Directors of several companies in the PETRONAS Group.

He is also a member of the International Advisory Panel for the Labuan International Offshore Financial Centre, a member of the Board of Capital Markets Development Fund, General Committee member of the Malaysian Petroleum Club and a fellow member of the Institute of Bankers, Malaysia.

**Md Arif bin Mahmood**, aged 48, is our Non-Independent Non-Executive Director. He graduated with a Bachelor of Science degree in Electrical Engineering from Boston University, United States in 1984 and obtained a Master in Business Administration from the Massachusetts Institute of Technology, United States in 1999.

He joined PETRONAS Gas in 1984 as an electrical engineer. From 1997 to 2004, he held several key senior positions in PETRONAS including Manager, Strategic Planning and Head of Strategic Development of PETRONAS. In December 2004, he was appointed as the General Manager (Gas Processing – Plant B), of PETRONAS Gas. He was appointed as the Senior General Manager (Retail Business) of PETRONAS Dagangan in April 2006 and Managing Director/Chief Executive Officer of ASEAN Bintulu Fertilizer in November 2007. He was promoted as the Vice President, Oil of PETRONAS in April 2009 and on June 2010, he was appointed as the Vice President of Corporate Strategic Planning of PETRONAS.

He was appointed to the Board of Directors of PETRONAS Dagangan on 17 August 2010. He also sits on the Board of Directors of several other companies in the PETRONAS Group of companies.

**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

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**Datuk Anuar bin Ahmad**, aged 56, is our Non-Independent Non-Executive Director. He graduated with a Bachelor of Science (Economics) degree in Accounting and Finance from the London School of Economics & Political Science, University of London, UK in 1977 and had attended the Advanced Management Programme of Harvard Business School, United States.

He joined PETRONAS in 1977 as a management executive. From 1977 to 2002, he held various senior managerial positions in the PETRONAS Group such as General Manager, Corporate Planning Unit of PETRONAS between 1992 to 1994, Managing Director/Chief Executive Officer of PETRONAS Trading Corporation Sdn Bhd from 1994 to 1998 and Managing Director/Chief Executive Officer of PETRONAS Dagangan from 1999 to 2002. He was subsequently promoted as Vice President, Oil of PETRONAS in 2002 and Vice President of Human Resource Management, PETRONAS in 2009. Effective 1 June 2010, he assumed the position of Executive Vice President, Gas and Power Business of PETRONAS.

He has been a member of the PETRONAS Management Committee since July 1998, a member of the Executive Committee since 1999 and a member of the Board of Directors of PETRONAS since October 2002. He also sits on the Board of Directors of several other companies in the PETRONAS Group. He was appointed to the Board of Directors of PETRONAS Dagangan on 20 May 1995 and was the Chairman of PETRONAS Dagangan from October 2005 up to August 2010. He was subsequently appointed as the Chairman of PETRONAS Gas in August 2010.

**Ching Yew Chye**, aged 57, is our Independent Non-Executive Director. He graduated with Bachelor of Science (Honours) degree from the University of London, UK in 1976.

He is a seasoned management and information technology professional with more than 25 years of working experience. He was the Managing Partner at the Malaysian office of Accenture plc ("**Accenture**"), a global management consulting, technology services and outsourcing company. During his career with Accenture, he worked primarily with clients in the financial services industry in ASEAN countries. The assignments included strategic information planning, design and implementation of major information technology systems, bank reorganisation and operational integration arising from bank mergers.

From 1997 to his retirement in 2007, he assumed various regional senior management roles in Accenture, including Managing Partner of the Financial Services Industry Group-Asia, Geographic Council Chairman-Asia and Managing Partner for the South Asia Region. He was also a member of the Accenture Global Executive Committee from 2001 to 2004 and served on several committees/task forces to craft Accenture's global strategy.

He currently sits on the Board of Directors of several companies including, amongst others, Avenue Invest Bhd, HSBC Bank Malaysia Berhad and China Yuchai International Limited. He is also a member of the Industry Advisory Panel for Taylor's School of Computing and the Advisory Board of Yorkville Advisors HK Ltd.

**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

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**Vimala a/p V.R. Menon**, aged 56, is our Independent Non-Executive Director. She is a Chartered Accountant, an Associate Member of the Institute of Chartered Accountants in England and Wales and is also a member of the Malaysian Institute of Accountants.

She qualified as a Chartered Accountant in 1981 and began her career at Deloitte KassimChan in 1982. In 1984, she joined Edaran Otomobil Nasional Berhad ("**EON Berhad**") and served as the Executive Director of Finance and Corporate Services of EON Berhad until 2007. She was a member of the Investment Committee of EON Berhad from 1995 to 2000 and a member of the Remuneration Committee and Executive Committee of EON Berhad from 2003 to 2004 respectively. She was subsequently appointed as the Director of Finance and Corporate Services of Proton Holdings Berhad from 2008 to 2009.

She has had significant experience serving on the Board of Directors as well as a member/Chairman of the Audit and Nomination Committees of several Malaysian and international companies including amongst others, EON Berhad, EON Bank Bhd, Cold Storage (M) Bhd, EON CMG Life Assurance Bhd, Cycle & Carriage Limited, MCL Land Limited and PT Astra International Tbk, Indonesia. She is currently the Chairman of the Audit Committee of Cycle & Carriage Bintang Berhad.

**Kim Dong Soo**, aged 63, is our Independent Non-Executive Director. He graduated with a Bachelor of Science degree in Chemical Engineering from the University of California, Berkeley, United States in 1969 and a Master of Science degree in Chemical Engineering from the University of Idaho, United States in 1970.

He began his career with the Dow Chemical Company in 1975 as the plant superintendent of its chloride/caustic plant. He then served as the Director of Corporate Planning in Hanwha Chemical Corporation from 1983 to 1987. In 1987, he joined DuPont Korea as a Project Manager and has held several senior managerial positions including Site Manager, Business Director, Global Fluoroproduct Operations Director, Corporate Officer, Vice President and General Manager of Global Non-Wovens business and Corporate Vice President. He was then promoted as the President of DuPont Asia Pacific in 2009.

He is currently the advisor to DuPont Asia Pacific and also a Visiting Professor of the School of Business Management, Seoul National University, South Korea.

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

#### 13.1.2 Directors' shareholding

Our Directors' interests in our Shares before and after the IPO based on our Register of Directors' Shareholdings as at the date of this Prospectus (assuming full subscription of the allocation to eligible Directors and employees as set out in Section 4.3.5 of this Prospectus) are as follows:

Directors	Before the IPO				After the IPO <sup>(1)</sup>			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Wan Zulkiflee bin Wan Ariffin	-	-	-	-	20,000	#	-	-
Dato' Tengku Mahamad bin Tengku Mahamut	-	-	-	-	20,000	#	-	-
Kamarudin bin Zakaria	-	-	-	-	20,000	#	-	-
Datuk Manharlal a/l Ratilal	-	-	-	-	20,000	#	-	-
Md Anif bin Mahmood	-	-	-	-	20,000	#	-	-
Datuk Anuar bin Ahmad	-	-	-	-	20,000	#	-	-
Ching Yew Chye	-	-	-	-	20,000	#	-	-
Vimala a/p V.R. Menon	-	-	-	-	20,000	#	-	-
Kim Dong Soo	-	-	-	-	20,000	#	-	-

**Notes:**

# Less than 0.01%.

(1) Excludes Shares they may subscribe under the Retail Offering.

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### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER *(cont'd)*

#### 13.1.3 Principal business activities performed outside our Group in the past 5 years

Save as disclosed below, none of our Directors and President/Chief Executive Officer has performed any principal business activities outside our Group.

The directorships and involvement of our Directors in business activities outside our Group at present and in the last 5 years preceding the Latest Practicable Date are as follows:

Name	Directorships	Involvement in business activities other than as a director
Datuk Wan Zulkiflee bin Wan Ariffin	<p><b>Present directorships:</b></p> <ul style="list-style-type: none"> <li>• BASF PETRONAS Chemicals Sdn Bhd</li> <li>• Energas Insurance (L) Ltd</li> <li>• Engen Limited</li> <li>• Gas Malaysia Sdn Bhd</li> <li>• Institute of Technology PETRONAS Sdn Bhd</li> <li>• MISC Berhad</li> <li>• PETRONAS</li> <li>• PETRONAS Dagangan Berhad</li> <li>• PETRONAS International Corporation Ltd</li> <li>• PETRONAS Penapisan (Melaka) Sdn Bhd</li> <li>• PETRONAS Trading Corporation Sdn Bhd</li> <li>• PFLNG Solutions Limited</li> <li>• P.T PETRONAS Niaga Indonesia</li> </ul> <p><b>Past directorships:</b></p> <ul style="list-style-type: none"> <li>• APT Investment Trust</li> <li>• Asean LNG Trading Co. Ltd</li> <li>• Australian Pipeline Trust</li> <li>• Dragon LNG Group Ltd</li> <li>• Egyptian LNG Co. S.A.E</li> <li>• Gasinvest S.A.</li> <li>• Labuan Energy Corporation Limited</li> <li>• Malaysia LNG Sdn Bhd</li> <li>• Malaysia LNG Dua Sdn Bhd</li> <li>• Malaysia LNG Tiga Sdn Bhd</li> <li>• PAPL (Upstream) Pty Ltd</li> <li>• PC JDA Limited</li> <li>• PETRONAS Australia Pty Ltd</li> <li>• PETRONAS Carigali Gas Ltd</li> <li>• PETRONAS Carigali Overseas Sdn Bhd</li> <li>• PETRONAS Carigali Sdn Bhd</li> <li>• PETRONAS Gas Berhad</li> <li>• PETRONAS Trading (UK) Ltd <i>(formerly known as PETGAS Trading (UK) Ltd)</i></li> <li>• PICL (Egypt) Corporation Ltd</li> <li>• PSE Ireland Limited</li> <li>• Star Energy Group Ltd</li> <li>• Transasia Pipeline Company Pvt Ltd</li> <li>• Trans Thai- Malaysia (Malaysia) Sdn Bhd</li> </ul>	Nil

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (*cont'd*)

Name	Directorships	Involvement in business activities other than as a director
Datuk Wan Zulkiflee bin Wan Ariffin ( <i>cont'd</i> )	<p><b>Past directorships (<i>cont'd</i>):</b></p> <ul style="list-style-type: none"> <li>• Trans Thai-Malaysia (Thailand) Ltd</li> <li>• Transportadora De Gas Del Norte S.A. (TGN)</li> <li>• Transportadora De Gas Mercosur S.A. (TGM)</li> <li>• WGC 2012</li> </ul>	Nil
Dato' Tengku Mahamad bin Tengku Mahamut	<p><b>Present directorships:</b></p> <ul style="list-style-type: none"> <li>• BASF PETRONAS Chemicals Sdn Bhd</li> <li>• Kertih Terminals Sdn Bhd</li> <li>• MITCO Labuan Co. Ltd</li> <li>• MITCO Labuan India Pvt Ltd</li> <li>• PETRONAS Research Sdn Bhd</li> </ul> <p><b>Past directorship:</b></p> <ul style="list-style-type: none"> <li>• BP PETRONAS Acetyls Sdn Bhd</li> </ul>	Nil
Kamarudin bin Zakaria	<p><b>Present directorships:</b></p> <ul style="list-style-type: none"> <li>• Malaysian Refining Company Sdn Bhd</li> <li>• PETRONAS Penapisan (Melaka) Sdn Bhd</li> <li>• PETRONAS Penapisan (Terengganu) Sdn Bhd</li> <li>• Port Sudan Refinery International Co Ltd</li> <li>• Uzbekistan GTL LLC</li> </ul> <p><b>Past directorships:</b></p> <ul style="list-style-type: none"> <li>• BASF PETRONAS Chemicals Sdn Bhd</li> <li>• Bekalan Air KIPC Sdn Bhd</li> <li>• BP PETRONAS Acetyls Sdn Bhd</li> <li>• Centroid Technical Services Company Ltd</li> <li>• Engen Limited</li> <li>• MITCO Labuan Co. Ltd</li> <li>• PETRONAS Technical Services Sdn Bhd</li> </ul>	Nil

**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

Name	Directorships	Involvement in business activities other than as a director
Datuk Manharlal a/l Ratilal	<p data-bbox="660 383 890 405"><b>Present directorships:</b></p> <ul style="list-style-type: none"> <li data-bbox="660 434 820 456">• APA Group</li> <li data-bbox="660 459 916 481">• APT Pipelines Limited</li> <li data-bbox="660 483 874 506">• Cagamas Berhad</li> <li data-bbox="660 508 963 530">• Cagamas Holdings Berhad</li> <li data-bbox="660 533 975 555">• Danajamin Nasional Berhad</li> <li data-bbox="660 557 954 580">• Energas Insurance (L) Ltd</li> <li data-bbox="660 582 1050 636">• Institute of Technology PETRONAS Sdn Bhd</li> <li data-bbox="660 638 874 660">• iPerintis Sdn Bhd</li> <li data-bbox="660 663 954 685">• KLCC (Holdings) Sdn Bhd</li> <li data-bbox="660 687 1018 710">• KLCC Property Holdings Berhad</li> <li data-bbox="660 712 826 734">• PETRONAS</li> <li data-bbox="660 736 1050 790">• PETRONAS Carigali (Iraq) Holdings B.V.</li> <li data-bbox="660 792 932 815">• PETRONAS Capital Ltd</li> <li data-bbox="660 817 995 840">• PETRONAS Carigali Sdn Bhd</li> <li data-bbox="660 842 1050 891">• PETRONAS Carigali Overseas Sdn Bhd</li> <li data-bbox="660 896 995 918">• PETRONAS Global Sukuk Ltd</li> <li data-bbox="660 920 954 969">• PETRONAS International Corporation Ltd</li> <li data-bbox="660 972 1023 1021">• Prince Court Medical Centre Sdn Bhd</li> </ul> <p data-bbox="660 1043 858 1066"><b>Past directorships:</b></p> <ul style="list-style-type: none"> <li data-bbox="660 1095 975 1117">• Asean LNG Trading Co. Ltd</li> <li data-bbox="660 1120 932 1142">• Malaysia LNG Sdn Bhd</li> <li data-bbox="660 1144 975 1167">• Malaysia LNG Dua Sdn Bhd</li> <li data-bbox="660 1169 975 1191">• Malaysia LNG Tiga Sdn Bhd</li> <li data-bbox="660 1193 1018 1216">• Petrofibre Network (M) Sdn Bhd</li> <li data-bbox="660 1218 986 1240">• PETRONAS Assets Sdn Bhd</li> <li data-bbox="660 1243 991 1265">• PETRONAS Australia Pty Ltd</li> <li data-bbox="660 1267 1054 1321">• PETRONAS Lubricants International Sdn Bhd</li> <li data-bbox="660 1323 986 1346">• PICL (Egypt) Corporation Ltd</li> <li data-bbox="660 1348 922 1370">• PLI (Netherlands) B.V.</li> </ul>	Shareholder of Centrowin Inc (M) Sdn Bhd



### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

Name	Directorships	Involvement in business activities other than as a director
Md Arif bin Mahmood	<p data-bbox="667 383 893 405"><b>Present directorships:</b></p> <ul data-bbox="667 439 1053 790" style="list-style-type: none"> <li>• Duta Inc</li> <li>• IndianOil Petronas Pvt Ltd</li> <li>• Kaparangan Inc</li> <li>• Kertih Terminals Sdn Bhd</li> <li>• MITCO Labuan Co. Ltd</li> <li>• PETRONAS China Company Ltd</li> <li>• PETRONAS Energy Philippines Inc</li> <li>• PETRONAS Myanmar Ltd</li> <li>• PETRONAS NGV Sdn Bhd</li> <li>• PETRONAS Philippines Inc</li> <li>• PETRONAS South Africa (Pty) Ltd</li> <li>• PETRONAS (Thailand) Co Ltd</li> <li>• PICL Mauritius (Downstream) Ltd</li> <li>• Uzbekistan GTL LLC</li> </ul> <p data-bbox="667 819 861 842"><b>Past directorships:</b></p> <ul data-bbox="667 875 1053 1776" style="list-style-type: none"> <li>• Asean LNG Trading Co. Ltd</li> <li>• Engen Limited</li> <li>• Energas Insurance Co. (L) Ltd</li> <li>• Malaysian Refining Company Sdn Bhd</li> <li>• Myanmar PETRONAS Trading Co. Ltd</li> <li>• PETCO (UK) Ltd</li> <li>• PETCO Trading Labuan Company Ltd</li> <li>• PETCO Trading (UK) Limited</li> <li>• PETRONAS Aviation Sdn Bhd</li> <li>• PETRONAS Base Oil (M) Sdn Bhd</li> <li>• PETRONAS Dagangan Berhad</li> <li>• PETRONAS Lubricants International Sdn Bhd</li> <li>• PETRONAS Lubricants Italy S.P.A</li> <li>• PETRONAS Marketing (Netherlands) B.V.</li> <li>• PETRONAS Marketing (Thailand) Co. Ltd</li> <li>• PETRONAS Penapisan (Melaka) Sdn Bhd</li> <li>• PETRONAS Penapisan (Terengganu) Sdn Bhd</li> <li>• PETRONAS Retail Property (Thailand) Co. Ltd</li> <li>• PETRONAS Retail (Thailand) Co. Ltd</li> <li>• PETRONAS Trading Corporation Sdn Bhd</li> <li>• PT PETRONAS Niaga Indonesia</li> <li>• PICL Marketing Thailand Ltd</li> <li>• PICL Siri Co. Ltd</li> <li>• PLI (Netherlands) B.V.</li> <li>• Sungai Udang Port Sdn Bhd</li> <li>• Universal Property Company Ltd</li> </ul>	Nil

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

Name	Directorships	Involvement in business activities other than as a director
Datuk Anuar bin Ahmad	<p data-bbox="646 376 885 398"><b>Present directorships:</b></p> <ul style="list-style-type: none"> <li data-bbox="646 427 965 450">• Asean LNG Trading Co. Ltd</li> <li data-bbox="646 454 853 477">• Gasinvest S.A.</li> <li data-bbox="646 481 1045 533">• Institute of Technology PETRONAS Sdn Bhd</li> <li data-bbox="646 537 1005 560">• Labuan Energy Corporation Ltd</li> <li data-bbox="646 564 933 586">• Malaysia LNG Sdn Bhd</li> <li data-bbox="646 591 973 613">• Malaysia LNG Dua Sdn Bhd</li> <li data-bbox="646 618 973 640">• Malaysia LNG Tiga Sdn Bhd</li> <li data-bbox="646 645 821 667">• PETRONAS</li> <li data-bbox="646 672 981 694">• PETRONAS Australia Pty Ltd</li> <li data-bbox="646 698 949 721">• PETRONAS Gas Berhad</li> <li data-bbox="646 725 949 777">• PETRONAS International Corporation Ltd</li> <li data-bbox="646 781 1061 833">• PETRONAS Trading (UK) Ltd (formerly known as PETGAS Trading (UK) Ltd)</li> <li data-bbox="646 837 981 860">• PICL (Egypt) Corporation Ltd</li> <li data-bbox="646 864 1021 916">• Prince Court Medical Centre Sdn Bhd</li> <li data-bbox="646 920 1029 972">• Transportadora De Gas Del Norte S.A. (TGN)</li> <li data-bbox="646 976 1029 1028">• Transportadora De Gas Mercosur S.A. (TGM)</li> <li data-bbox="646 1032 1045 1084">• Trans Thai-Malaysia (Malaysia) Sdn Bhd</li> <li data-bbox="646 1088 1045 1111">• Trans Thai-Malaysia (Thailand) Ltd</li> </ul> <p data-bbox="646 1115 853 1137"><b>Past directorships:</b></p> <ul style="list-style-type: none"> <li data-bbox="646 1167 845 1189">• Engen Limited</li> <li data-bbox="646 1193 973 1216">• Japan Malaysia LNG Co Ltd</li> <li data-bbox="646 1220 1029 1272">• Malaysian Refining Company Sdn Bhd</li> <li data-bbox="646 1276 933 1299">• MITCO Labuan Co. Ltd</li> <li data-bbox="646 1303 1061 1326">• Motorsports Commission of Malaysia</li> <li data-bbox="646 1330 1037 1382">• Myanmar PETRONAS Trading Co. Ltd</li> <li data-bbox="646 1386 1013 1408">• PETCO Trading Labuan Co. Ltd</li> <li data-bbox="646 1413 981 1435">• PETRONAS Aviation Sdn Bhd</li> <li data-bbox="646 1440 1037 1462">• PETRONAS Base Oil (M) Sdn Bhd</li> <li data-bbox="646 1467 1005 1489">• PETRONAS Cambodia Co. Ltd</li> <li data-bbox="646 1494 1021 1545">• PETRONAS Cambodia Tankage Services Co. Ltd</li> <li data-bbox="646 1550 1053 1601">• PETRONAS Carigali (Iraq) Holdings B.V</li> <li data-bbox="646 1606 1045 1657">• PETRONAS Carigali Overseas Sdn Bhd</li> <li data-bbox="646 1662 997 1684">• PETRONAS Carigali Sdn Bhd</li> <li data-bbox="646 1688 1013 1711">• PETRONAS Dagangan Berhad</li> <li data-bbox="646 1715 1053 1767">• PETRONAS Energy Philippines Inc.</li> <li data-bbox="646 1771 981 1823">• PETRONAS India (Holdings) Company Pte Ltd</li> <li data-bbox="646 1827 1037 1850">• PETRONAS Lubricants Italy S.P.A</li> </ul>	Nil

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

Name	Directorships	Involvement in business activities other than as a director
Datuk Anuar bin Ahmad (cont'd)	<p><b>Past directorships (cont'd):</b></p> <ul style="list-style-type: none"> <li>• PETRONAS Lubricants International Sdn Bhd</li> <li>• PETRONAS Marketing (China) Co Ltd</li> <li>• PETRONAS Myanmar Ltd.</li> <li>• PETRONAS NGV Sdn Bhd</li> <li>• PETRONAS Penapisan (Melaka) Sdn Bhd</li> <li>• PETRONAS Penapisan (Terengganu) Sdn Bhd</li> <li>• PETRONAS Philippines Inc</li> <li>• PETRONAS South Africa (Pty) Ltd</li> <li>• PETRONAS Trading Corporation Sdn Bhd</li> <li>• PLI (Netherlands) B.V.</li> <li>• Port Sudan Refinery International Co. Ltd.</li> <li>• PT PETRONAS Niaga Indonesia</li> <li>• Sungai Udang Port Sdn Bhd</li> </ul>	Nil
Ching Yew Chye	<p><b>Present directorships:</b></p> <ul style="list-style-type: none"> <li>• ABG Heritage Sdn Bhd</li> <li>• Avenue Invest Bhd</li> <li>• China Yuchai International Limited</li> <li>• HSBC Bank Malaysia Berhad</li> <li>• Yorkville Advisors HK Ltd</li> </ul> <p><b>Past directorships:</b></p> <ul style="list-style-type: none"> <li>• Accenture Sdn Bhd</li> <li>• Accenture Solutions Sdn Bhd</li> <li>• Accenture Technology Solutions Sdn Bhd</li> <li>• IT One Co. Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Advisory Board of Yorkville Advisors HK Ltd</li> <li>• Member of the Industry Advisory Panel for Taylor's School of Computing</li> </ul>
Vimala a/p V.R. Menon	<p><b>Present directorship:</b></p> <ul style="list-style-type: none"> <li>• Cycle &amp; Carriage Bintang Berhad</li> </ul> <p><b>Past directorship:</b></p> <ul style="list-style-type: none"> <li>• Edaran Otomobil Nasional Berhad</li> </ul>	Audit Committee Chairman
Kim Dong Soo	<p><b>Present directorship:</b></p> <ul style="list-style-type: none"> <li>• AMOREPACIFIC Corporation</li> </ul>	Shareholder of DuPont Asia Pacific Ltd

#### 13.1.4 Involvement of our President/Chief Executive Officer in other businesses/corporations

Save as disclosed in Section 13.1.3 of this Prospectus, Dato' Tengku Mahamad bin Tengku Mahamut, our President/Chief Executive Officer is not involved in the operations of other businesses or corporations outside of our Group.

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

#### 13.1.5 Involvement in other businesses or corporations which carry on a similar trade as our Group or which are customers or suppliers of our Group

Save as disclosed below, as at the Latest Practicable Date, none of our Directors have any interest, direct or indirect, in other businesses and corporations which are (i) carrying on a similar trade as that of our Group; or are (ii) customers of and/or suppliers to our Group:

Director	Businesses/Corporations	Nature of interest
Datuk Wan Zulkiflee bin Wan Ariffin	<i>Similar trade as our Group:</i>	
	<ul style="list-style-type: none"> <li>• BASF PETRONAS Chemicals Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> </ul>
	<i>Customers of and/or suppliers to our Group:</i>	
	<ul style="list-style-type: none"> <li>• MISC Berhad</li> <li>• PETRONAS</li> <li>• PETRONAS Penapisan (Melaka) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Director</li> <li>• Director</li> </ul>
Dato' Tengku Mahamad bin Tengku Mahamut	<i>Similar trade as our Group:</i>	
	<ul style="list-style-type: none"> <li>• BASF PETRONAS Chemicals Sdn Bhd</li> <li>• Kertih Terminals Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Director</li> </ul>
	<i>Customers of and/or suppliers to our Group:</i>	
	<ul style="list-style-type: none"> <li>• MITCO Labuan Co. Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> </ul>
Kamarudin bin Zakaria	<i>Customers of and/or suppliers to our Group:</i>	
	<ul style="list-style-type: none"> <li>• PETRONAS Penapisan (Melaka) Sdn Bhd</li> <li>• PETRONAS Penapisan (Terengganu) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Director</li> </ul>
Datuk Manharial al Ratilal	<i>Customers of and/or suppliers to our Group:</i>	
	<ul style="list-style-type: none"> <li>• PETRONAS</li> <li>• PETRONAS Carigali Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Director</li> </ul>
Md Arif bin Mahmood	<i>Similar trade as our Group:</i>	
	<ul style="list-style-type: none"> <li>• Kertih Terminals Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> </ul>
	<i>Customers of and/or suppliers to our Group:</i>	
	<ul style="list-style-type: none"> <li>• MITCO Labuan Co. Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> </ul>
Datuk Anuar bin Ahmad	<i>Customers of and/or suppliers to our Group:</i>	
	<ul style="list-style-type: none"> <li>• Malaysia LNG Sdn Bhd</li> <li>• PETRONAS</li> <li>• PETRONAS Gas Berhad</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Director</li> <li>• Chairman</li> </ul>

Our Directors are of the view that the interests held by them in other businesses or corporations which carry on a similar trade as our Group do not affect their contribution to our Company. Our Directors in their personal capacity or the companies and businesses in which they have interests as directors may either be carrying on a similar trade as our Group, are our customers for ucarsol, LPG, MTBE, polyethylene, ammonia, heavy aromatics, VCM and methanol and/or are our suppliers for condensate, utilities, electricity, water, feedstock and natural gas. Such transactions are carried out on an arm's length basis and on usual business terms.

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER *(cont'd)*

The interests held by our Directors in the businesses and corporations mentioned in this Section 13.1.5 may give rise to a conflict of interests situation with our businesses. On matters or transactions requiring the approval of our Board, Directors who are deemed interested or conflicted in such matters shall be required to abstain from deliberations and voting on the resolutions relating to these matters or transactions.

#### 13.1.6 Audit Committee

Our Audit Committee was formed by our Board pursuant to its meeting on 26 August 2010. Our Audit Committee comprises mainly the Independent Non-Executive Directors and has specific terms of reference including the review of the interim and full year financial statements and preliminary announcements, internal financial controls and the reports of our Group's Internal Audit Division. Our Audit Committee ensures the adequacy and integrity of our Company's internal control system and management information system and that they are in compliance with our Company's policies and procedures, applicable laws and regulations and Bursa Securities LR. Our Audit Committee monitors the effective implementation of programmes to ensure compliance to our Company's Risk Management Policy. Our Audit Committee will continue to ensure that the principal risks facing the company are identified and monitored and appropriate measures are undertaken to manage these risks.

Our Audit Committee currently comprises the following members:

Name	Position	Date of Appointment	Directorship
Vimala a/p V.R. Menon	Chairman	26 August 2010	Independent Non-Executive Director
Md Arif bin Mahmood	Member	26 August 2010	Non-Independent Non-Executive Director
Ching Yew Chye	Member	26 August 2010	Independent Non-Executive Director
Kim Dong Soo	Member	26 August 2010	Independent Non-Executive Director

The duties and functions of our Audit Committee are:

#### (i) External audit

- (a) To consider the appointment of the external auditors, the audit fees and any question in relation to resignation or dismissal of the external auditors before making recommendation to our Board; and
- (b) To review and discuss with the external auditors, before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;

#### (ii) Internal audit

- (a) To review the internal audit plan, consider the major findings of internal audits and management's responses, and ensure coordination between the internal and external auditors;

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER *(cont'd)*

- (b) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (c) To review the audit reports;
- (d) To direct and where appropriate supervise any special project or investigation considered necessary;
- (e) To prepare periodic reports to our Board summarising the work performed in fulfilling our Audit Committee primary responsibilities; and
- (f) To determine the remit of internal audit function which report directly to our Audit Committee. The internal audit function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care;

#### (iii) Financial reporting review

To review with our management and the external auditors the quarterly results and year-end financial statements prior to the approval by our Board, focusing particularly on:

- any change in accounting policies and practices;
- significant and unusual events;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumption;
- compliance with accounting standards; and
- compliance with other legal requirements and Bursa Securities LR.

#### (iv) Related party transactions

To review any related party transaction and conflict of interest situation that may arise in our Company including any transaction, procedure or course that raises questions of management integrity;

#### (v) Internal control

To keep under review the effectiveness of internal control systems and the internal and/or external auditors' evaluation of these systems;

#### (vi) Other matters

- (a) To arrange for periodic reports from our management, the external auditors and the internal auditors and the internal auditors to assess the impact of significant regulatory changes and accounting or reporting developments proposed by accounting and other bodies, or any significant matter that may have a bearing on the annual examination;
- (b) To discuss problems and reservation arising from the internal audit, interim and final audits, and matters the internal and external auditors may wish to discuss (in the absence of our management where necessary);

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER *(cont'd)*

- (c) Where our Audit Committee is of the view that a matter reported by it to our Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities LR, our Audit Committee must promptly report such matter to the Securities Commission; and
- (d) Carrying out any other functions that may be mutually agreed upon by our Audit Committee and our Board.

#### 13.1.7 Nomination and Remuneration Committee

Our Nomination and Remuneration Committee was established on 26 August 2010. Our Nomination and Remuneration Committee currently comprises the following members:

Name	Position	Date of Appointment	Directorship
Ching Yew Chye	Chairman	26 August 2010	Independent Non-Executive Director
Datuk Anuar bin Ahmad	Member	26 August 2010	Non-Independent Non-Executive Director
Vimala a/p V.R. Menon	Member	26 August 2010	Independent Non-Executive Director

Our Nomination and Remuneration Committee undertakes the following functions:

- (i) periodically assess the performance of our Board;
- (ii) recommend candidates to fill vacancies on our Board or to stand for election to our Board by our shareholders;
- (iii) assist our Board in defining and assessing qualifications for Board membership and to identify qualified individuals;
- (iv) review and recommend to our Board appropriate corporate governance policies and procedures for our Company;
- (v) monitor compliance with corporate governance standards;
- (vi) recommend the framework remuneration policy of our Directors and key management and to determine the remuneration package for each Director and key management, if applicable; and
- (vii) recommend incentive compensation plans to our Board.

#### 13.1.8 Service contracts with Directors

As at the date of this Prospectus, we do not have any existing or proposed service contracts with our Directors.

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER *(cont'd)*

#### 13.1.9 Remuneration and benefits of Directors

The Directors of our Company, save for our Independent Non-Executive Directors, are corporate representatives of PETRONAS on our Board (i) holding the office of Vice-President and above (and are appointed to the Board of Directors of PETRONAS' subsidiaries/associates) and/or (ii) having been seconded to PETRONAS' subsidiaries/associates, as the Managing Director/Chief Executive Officer.

Our Directors, who are corporate representatives of PETRONAS on those respective PETRONAS' subsidiaries/associates (which are limited entities), do not receive any director's remuneration. Therefore, no remuneration was paid by our Company to our Directors for the year ended 31 March 2010. No remuneration was paid by our Company to our Independent Non-Executive Directors for the year ended 31 March 2010, as our Independent Non-Executive Directors were appointed to our Board in August 2010.

For the year ending 31 March 2011, the estimated remuneration and benefits to be paid to our Directors are as follows:

Directors	For the year ending 31 March 2011 (Forecast)
Datuk Wan Zulkiflee bin Wan Ariffin	Between RM100,001 to RM150,000
Dato' Tengku Mahamad bin Tengku Mahamut	Between RM50,001 to RM100,000
Kamarudin bin Zakaria	Between RM50,001 to RM100,000
Datuk Manharlal a/l Ratilal	Between RM50,001 to RM100,000
Md Arif bin Mahmood	Between RM50,001 to RM100,000
Datuk Anuar bin Ahmad	Between RM50,001 to RM100,000
Ching Yew Chye	Between RM50,001 to RM100,000
Vimala a/p V.R. Menon	Between RM50,001 to RM100,000
Kim Dong Soo	Between RM150,001 to RM200,000

The remuneration for our Non-Independent/Non-Executive Directors are either paid directly to the respective Directors or to PETRONAS, in view of their position as corporate representatives of PETRONAS.

Our President/Chief Executive Officer, an employee of PETRONAS, is seconded to our Company as an Executive Director. In consideration of his service as our President/Chief Executive Officer, our Company is required to pay a management fee to PETRONAS to cover all payroll-related costs and benefits ordinarily incurred by our President/Chief Executive Officer in the course of his employment.

The remuneration of our Directors which includes directors' fees and meeting attendance fees, is approved by our Board, following recommendations made by the Remuneration Committee and subject to our Articles. Any change in directors' fees as set out in our Articles must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting of our Company where appropriate notice of any increase proposed should be given.



### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER *(cont'd)*

#### 13.2 KEY MANAGEMENT

Our key management is responsible for our day-to-day management and operations. Our key management consists of experienced personnel in charge of matters related to plant production, human resource, corporate affairs, risk management, legal and corporate secretariat, finance and administration.

The members of our key management, as at the date of this Prospectus, are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Age</u>	<u>Designation</u>
Dato' Tengku Mahamad bin Tengku Mahamut	Malaysian	56	President/Chief Executive Officer
Wan Shamilah binti Wan Muhammad Saidi	Malaysian	40	Chief Financial Officer
Abd Manaf bin Abd Hamid	Malaysian	51	Head, Olefins and Polymers
Yusa' bin Hassan	Malaysian	47	Head, Fertilisers and Methanol
Fadzilan bin Mohd Daud	Malaysian	48	Head, Human Resource Management
Maliki Kamal bin Mohd Yasin	Malaysian	47	Head, Legal and Corporate Secretariat
Ruziah Azdi binti Abdul Rahman	Malaysian	47	Head, Corporate Affairs
Hazlina binti Abdul Hamid	Malaysian	45	Head, Risk Management

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### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

#### 13.2.1 Profiles of our key management

The profile of **Dato' Tengku Mahamad bin Tengku Mahamut**, who is also our President/Chief Executive Officer is set out in Section 13.1.1 of this Prospectus.

**Wan Shamilah binti Wan Muhammad Saidi**, aged 40, is our Chief Financial Officer. She graduated with a Bachelor of Science in Economics and Accounting degree from the University of Bristol, UK in 1993. She is also a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants.

She joined PETRONAS in October 1993 as a Finance Executive in PETRONAS Carigali. From 1995 to 1998, she worked for Morison Stoneham, a firm of Chartered Accountants in England. She rejoined PETRONAS in 1998 as a Manager in Group Finance of PETRONAS. Between 2000 and 2004, she was the Manager of the Business Development Unit of PETRONAS where she was primarily responsible for the mergers and acquisition activities of PETRONAS. In the ensuing years, she was the General Manager of Finance of PETRONAS Gas, a listed subsidiary of PETRONAS and General Manager of Finance of Malaysia LNG Sdn Bhd, a subsidiary of PETRONAS. From April 2009 to July 2010, she was the Senior General Manager, Crude Oil Group of PETRONAS where she was responsible for the global marketing and trading of crude oil for PETRONAS.

She joined our Group as Chief Financial Officer in August 2010. She is currently responsible for all financial and fiscal management aspects of our Group.

She currently sits on the Board of Directors of several companies in the PETRONAS Group.

**Abd Manaf bin Abd Hamid**, aged 51, is the Head of our Olefins and Polymers division. He graduated from the University of Strathclyde, UK with a Master in Business Administration in 1993.

He began his career with PETRONAS as a Management Executive in 1983, where he was primarily focused in the marketing and commercial departments. He rose through the ranks of PETRONAS and was appointed as the Senior Manager (Commercial Division) in PETLIN in July 2003. In June 2006, he was appointed as Chief Executive Officer of PETLIN and from October 2008 to September 2009, he was the Managing Director and Chief Executive Officer of Ethylene Malaysia and Polyethylene Malaysia. His last appointment was as a Managing Director and Chief Executive Officer of PETRONAS Trading Corporation Sdn Bhd.

As the Managing Director/Chief Executive Officer of the subsidiaries, he was primarily responsible for executing management policies and guidelines, leading the overall business activities and supervising the overall management of all the subsidiaries. He was also instrumental in championing various initiatives including among others, the Grid Management/Logistic Optimisation initiative at the Kertih IPC during his tenure as the Managing Director/Chief Executive Officer of Ethylene Malaysia and Polyethylene Malaysia and Chief Executive Officer of PETLIN. He joined our Group in 1 July 2010 as the Head of our Olefins and Polymers division.

He currently sits on the Board of Directors of several companies in the PETRONAS Group.

**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

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**Yusa' bin Hassan**, aged 47, is the Head of our Methanol and Fertilisers division. He obtained a Bachelor of Science in Mechanical Engineering degree from West Virginia University, United States in 1984.

He began his career with the PETRONAS Group in March 1985 as a Mechanical Engineer in ASEAN Bintulu Fertilizer and was involved in performing various roles as the Inspection, Rotating and Maintenance Engineer. He was subsequently promoted to Inspection Engineering Manager in December 1994 and was later involved in the ASEAN Bintulu Fertilizer Second Revamp project as the Construction Manager. He joined PETRONAS Ammonia in September 1997 as the Senior Manager, Engineering where he was involved in the construction and commissioning of the plant and was responsible for the first year operations of the plant. In April 2002, he was appointed as the Senior Manager, Aromatics Production of PETRONAS Penapisan (Terengganu). He was then promoted to General Manager, Plant and subsequently Managing Director/Chief Executive Officer on May 2004 and April 2006 respectively. In January 2009, he was appointed as Managing Director/Chief Executive Officer of MTBE Malaysia and Polypropylene Malaysia. As the Managing Director/Chief Executive Officer of these companies, he was primarily responsible for executing management policies and guidelines, leading the overall business activities and supervising the overall management of the company. He joined our Group in July 2010 as the Head of our Methanol and Fertilisers division and is currently responsible for our Ammonia, Urea and Methanol businesses.

He currently sits on the Board of Directors of several companies in the PETRONAS Group.

**Fadzilan bin Mohd Daud**, aged 48, is our Head of Human Resource Management. He graduated with a Bachelor of Engineering (Civil & Structural) degree with Honours in 1984 from the University of Sheffield, UK.

He began his career as an Executive with a property company, Engku Niaga Sdn Bhd in December 1984 and subsequently joined a building maintenance company, Daya Urus Sdn Bhd as a Building Management Executive.

He began his career with PETRONAS in December 1992 as a Human Resource Management Executive where he was primarily responsible for the development of the HRM system of PETRONAS. He was subsequently promoted to HRM and Administration Manager of PETRONAS Trading Corporation Sdn Bhd in July 1997. He then joined PETRONAS Carigali in August 1999 as Human Resource Planning Manager where he was involved in the development and establishment of the PETRONAS Technical Professional Career Progression. In March 2004, he was appointed as Senior Manager, Human Resource Management of PETRONAS Dagangan where his main responsibilities included capability development and talent management.

He was then promoted to General Manager, Human Resource Management on May 2007 and subsequently appointed as General Manager of Group Technical Capability Management. He was responsible for establishing frameworks and systems in relation to the capability development of technical staff across the PETRONAS Group.

He joined our Group in July 2010 as the Head of Human Resource Management and is responsible for all matters pertaining to management and development of human resources throughout our Group.

**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

**Maliki Kamal bin Mohd Yasin**, aged 47, is our Head of Legal and Corporate Secretariat. He graduated with a Bachelor of Laws degree with Honours in 1987 from International Islamic University of Malaysia.

He began his career as an Advocate and Solicitor, practising under Messrs. Tengku Sulaiman & Associates in 1987. He joined PETRONAS in June 1990 as a Legal Officer. In October 1990, he was attached to the Chief Executive Officer's Office of PETRONAS Penapisan (Terengganu) and was involved in Kertih Refinery Debottlenecking Project. In 1992, he was an Executive (Legal - General Corporate) at PETRONAS. Between 1992 and 1997, he was the Company Secretary, Legal Counsel, Senior Legal Counsel of PETRONAS Penapisan (Terengganu) and in 2003, he was promoted as the Senior Manager (Legal and Business/Commercial Services) primarily responsible for legal, corporate secretariat, business planning, production planning, commercial, risk management and oil accounting services in PETRONAS Penapisan (Terengganu). In 2007, he was appointed as the General Manager of Legal (Corporate Services and Technology), PETRONAS where he was primarily responsible for the provision of legal services relating to employment (including industrial relations), intellectual property, land and litigation aspects, education-related matters and also all legal matters relating to PETRONAS' business units under the purview of the Corporate Services and Technology Department, Legal Service, PETRONAS. He joined our Group in August 2010 as the Head of Legal and Corporate Secretariat. He currently sits on the Board of Directors of several companies in the PETRONAS Group.

**Ruziah Azdi binti Abdul Rahman**, aged 47, is our Head of Corporate Affairs. She graduated with a Bachelor of Science degree in Business Administration, majoring in Economics and Finance in 1987 from the University of Tennessee, United States.

She began her career with PETRONAS in 1989, as an Executive in PETRONAS Dagangan. She was promoted to Manager of the Customer Services Centre in 2000. In 2004, she joined the Brand department of PETRONAS Dagangan as the Manager of Brand Communications. She was subsequently promoted as Senior Manager in 2007. In 2008, she was seconded to the East Coast Economic Region and was appointed as General Manager of Corporate Communications. She joined our Group in August 2010 as the Head of Corporate Affairs.

**Hazlina binti Abdul Hamid**, aged 45, is our Head of Risk Management. She obtained her professional accountancy qualification from the Chartered Institute of Management Accountants, UK in 1991. She is also a member of the Malaysian Institute of Accountants.

She began her career as an Audit Coordinator with Morris Palmer Day & Vann in June 1990 and subsequently joined Pugh Clarke & Co in January 1991 as a Senior Auditor. She joined PETRONAS Methanol in October 1993 as a Planning and Budgeting Executive and subsequently as a Finance and Accounts Executive. Between 2000 and 2007, she was the Manager for Business Planning of Industrial and Specialty Chemicals, Petrochemical Business Unit, PETRONAS and Operating Performance Improvement Program Management for Group Plant Performance Management, Technical Services Division. In 2003, she was seconded to the Integrated Transition Program, PETRONAS where she was involved in developing operating improvements tools and methodologies for the PETRONAS Group.

She was appointed as the Senior Manager (Oil Technologies) of Research and Technology Division, PETRONAS in 2007 where she was responsible for the monitoring and implementation of technology plans for the PETRONAS Group.

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

In 2009 she was appointed as the Senior Manager (Group Risk Planning and Performance) in Group Risk Management Unit, PETRONAS where her major contributions were the formulation of PETRONAS' risk governance framework and implementation of the risk information management system of PETRONAS. Her key responsibilities also include setting out the Terms of Reference for the Risk Management Committee, assessing business risk practices and its compliance level and as well as developing the corporate risk profile for PETRONAS. She joined our Group as the Head of Risk Management in August 2010.

#### 13.2.2 Our key management's shareholding

The direct and indirect shareholding of our key management before and after the IPO (assuming full subscription of the allocation to eligible Directors and employees as set out in Section 4.3.5 of this Prospectus) are as follows:

	Before IPO				After IPO <sup>(1)</sup>			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Tengku Mahamad bin Tengku Mahamut	-	-	-	-	20,000	#	-	-
Wan Shamilah binti Wan Muhammad Saidi	-	-	-	-	6,000	#	-	-
Abd Manaf bin Abd Hamid	-	-	-	-	6,000	#	-	-
Yusa' bin Hassan	-	-	-	-	6,000	#	-	-
Fadzilan bin Mohd Daud	-	-	-	-	6,000	#	-	-
Maliki Kamal bin Mohd Yasin	-	-	-	-	6,000	#	-	-
Ruziah Azdi binti Abdul Rahman	-	-	-	-	6,000	#	-	-
Hazlina binti Abdul Hamid	-	-	-	-	6,000	#	-	-

**Notes:**

# Less than 0.01%.

(1) Excludes Shares they may subscribe under the Retail Offering.

#### 13.2.3 Service contracts of key management

As at the date of this Prospectus, we do not have any existing or proposed service contracts with our key management.

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

#### 13.2.4 Involvement of key management in other businesses/corporations

Except as disclosed in Section 13.1.4 of this Prospectus and save as disclosed below, based on the declarations by our key management, none of them are involved in the operations of other businesses or corporations:

Name	Directorships	Involvement in business activities other than as a director
Wan Shamilah binti Wan Muhammad Saidi	<ul style="list-style-type: none"> <li>• Bekalan Air KIPC Sdn Bhd</li> <li>• BP PETRONAS Acetyls Sdn Bhd</li> <li>• Fiberail Sdn Bhd</li> <li>• Gas Malaysia Sdn Bhd</li> <li>• KL Convention Centre Sdn Bhd</li> <li>• MITCO Labuan Co. Ltd</li> <li>• MITCO Labuan India Pvt Ltd</li> </ul>	Nil
Abd Manaf bin Abd Hamid	<ul style="list-style-type: none"> <li>• BP PETRONAS Acetyls Sdn Bhd</li> <li>• Duta Inc</li> <li>• Idemitsu SM (Malaysia) Sdn Bhd</li> <li>• IndianOil Petronas Pvt Ltd</li> <li>• PETRONAS Energy Philippines Inc</li> <li>• PETRONAS Philippines Inc</li> </ul>	Nil
Yusa' bin Hassan	<ul style="list-style-type: none"> <li>• Bekalan Air KIPC Sdn Bhd</li> <li>• Malaysian NPK Fertilizer Sdn Bhd</li> </ul>	Nil
Maliki Kamal bin Mohd Yasin	<ul style="list-style-type: none"> <li>• Bekalan Air KIPC Sdn Bhd</li> <li>• Petrofibre Network (M) Sdn Bhd</li> <li>• PETRONAS Assets Sdn Bhd</li> <li>• PETRONAS Hartabina Sdn Bhd</li> <li>• PRBF Holdings Corporation Sdn Bhd</li> <li>• PRBF Properties Sdn Bhd</li> <li>• SPE Engine Solution Sdn Bhd</li> </ul>	Nil

The involvement of our key management in other businesses and/or corporations as highlighted above are not expected to affect their contribution to our Company as our key management are not actively involved in the management and day-to-day operations of these businesses and/or corporations whereby their involvement are only to the extent of attending board meetings.

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### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

#### 13.2.5 Management succession planning

We recognise the importance of ensuring continuity in our management in order to maintain our competitive edge over our competitors. Our Board believes that our continued success depends on, among other factors, the leadership capability and dedication of our management personnel. We have in place human resource strategies which include suitable compensation packages and structured succession planning. Our succession planning efforts in place include:

- (i) Identification of critical positions, key competencies and requirements for managers and higher positions in line with our business goals, strategies and culture; and
- (ii) Proactive leadership identification and development approach where potential leaders and successors are identified through rigorous selection process and continuously developed through structured leadership development to be readily available to undertake leadership positions throughout our Group.

In addition, our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision making process and are equipped with the knowledge and competency necessary for them to advance to senior management positions.

### 13.3 PROMOTER AND SUBSTANTIAL SHAREHOLDER

#### 13.3.1 Shareholdings

As at the date of this Prospectus, our Promoter and substantial shareholder and its interest in our Shares before and after the IPO are as follows:

	Before the IPO				After the IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%
PETRONAS	7,300,000	100	-	-	5,520,000	69	-	-
Minister of Finance, Inc.	-	-	<sup>(1)</sup> 7,300,000	100	-	-	<sup>(2)</sup> 5,520,000	69

**Notes:**

- (1) Deemed interested through its 99.99% shareholding in PETRONAS.
- (2) Based on the Offer for Sale of up to 1,780 million Offer Shares.

Except as set out above, we are not aware of any other person who directly or indirectly, jointly or severally, exercises control over us.

### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

#### 13.3.2 Profile of our promoter and substantial shareholder

The profile of our Promoter who is also our substantial shareholder and Selling Shareholder is set out below:

**PETRONAS** is the national oil and gas company of Malaysia and is wholly owned by the Government of Malaysia. PETRONAS was incorporated in Malaysia on 17 August 1974 under the Act and derives its powers from the Petroleum Development Act of 1974, which vests in PETRONAS the "entire ownership in, and the exclusive rights, powers, liberties and privileges of exploring, exploiting, winning and obtaining petroleum whether onshore or offshore of Malaysia."

PETRONAS, together with its subsidiaries and associated companies, is a fully integrated oil and gas company engaged in a broad spectrum of upstream and downstream oil and gas operations and petrochemical operations. PETRONAS' upstream operations include the exploration, development and production of crude oil and natural gas in Malaysia and overseas. PETRONAS' downstream operations include (i) the liquefaction, sale and transportation of liquefied natural gas, (ii) the processing and transmission of natural gas and the sale of natural gas products, (iii) the refining and marketing of petroleum products, including fuel oil, diesel, gasoline, jet fuel, kerosene and lubricants, (iv) the manufacture and sale of petrochemical products, (v) the trading of crude oil, petroleum products and petrochemical products, and (vi) shipping and related logistics, including the transportation of liquefied natural gas, crude oil and petroleum products.

The substantial shareholder of PETRONAS and its respective shareholdings in PETRONAS as at the Latest Practicable Date is as follows:

Substantial shareholder	Direct		Indirect	
	No. of shares	%	No. of shares	%
Minister of Finance, Inc.	99,990	99.99	-	-

Save for the issuance of Shares to PETRONAS pursuant to the Reorganisation, there has been no change in the Promoter and substantial shareholder's shareholdings in our Company for the past 3 years preceding the Latest Practicable Date.

PETRONAS was established by the Government of Malaysia to own and manage the petroleum resources of Malaysia. PETRONAS' Articles of Association provide that the Government of Malaysia is the only entity entitled to be a shareholder of PETRONAS.

Under the Act, as owner of PETRONAS, the Government of Malaysia controls the approval of all corporate matters that require shareholder resolutions, but not limited to approval of dividends and appointment of directors.



### 13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)

As at the Latest Practicable Date, the members of the Board of Directors of PETRONAS and their respective shareholdings in PETRONAS are as follows:

Directors	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Shamsul Azhar bin Abbas	-	-	-	-
Datuk Anuar bin Ahmad	-	-	-	-
Tan Sri Dr Wan Abdul Aziz bin Wan Abdullah	-	-	-	-
Datuk Wan Zulkiflee bin Wan Ariffin	-	-	-	-
Mohd Omar bin Mustapha	-	-	-	-
Tan Sri Dato' Seri Hj Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas	-	-	-	-
Dato' Muhammad bin Ibrahim	-	-	-	-
Dato' Mohamad Idris bin Mansor	-	-	-	-
Datin Yap Siew Bee	-	-	-	-
Krishnan a/l CK Menon	-	-	-	-
Datuk Manharlal a/l Ratilal	-	-	-	-
Dato' Wee Yiau Hin	-	-	-	-
Dato' Siti Halimah binti Ismail ( <i>Alternate Director to Tan Sri Dr Wan Abdul Aziz bin Wan Abdullah</i> )	-	-	-	-

Save as disclosed below, as at the Latest Practicable Date, PETRONAS does not have any interest, direct or indirect, in other businesses and corporations which are (i) carrying on a similar trade as our Group; or are (ii) customers of and/or suppliers to our Group:

Substantial shareholder	Businesses/Corporations	Nature of interest
PETRONAS	<p><i>Customers of and/or suppliers to our Group:</i></p> <ul style="list-style-type: none"> <li>• PETRONAS Penapisan (Terengganu) Sdn Bhd</li> <li>• PETRONAS Penapisan (Melaka) Sdn Bhd</li> <li>• PETRONAS Gas Berhad</li> <li>• PETRONAS Carigali Sdn Bhd</li> <li>• MITCO Labuan Co. Ltd</li> <li>• Malaysian International Trading Corporation (Japan) Sdn Bhd</li> <li>• MISC Berhad and its subsidiaries</li> <li>• Bekalan Air KIPC Sdn Bhd</li> <li>• Malaysia LNG Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>• Sole shareholder</li> <li>• Sole shareholder</li> <li>• Major shareholder</li> <li>• Sole shareholder</li> <li>• Sole shareholder of PETRONAS International Corporation Ltd, which in turn is a sole shareholder of MITCO Labuan Co. Ltd</li> <li>• Sole shareholder</li> <li>• Major shareholder</li> <li>• Sole shareholder</li> <li>• Major shareholder</li> </ul>

Our Directors and PETRONAS are of the view that the interests held by PETRONAS in other businesses and corporations which are customers of or suppliers to our Group may give rise to a conflict of interest situation with our businesses.

**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

Although such interests may give rise to a conflict of interest situation, PETRONAS and persons connected to them shall abstain from deliberations and voting on the resolutions relating to these matters or transactions that require the approval of the shareholders of our Company in respect of their direct or indirect interests. Such transactions are carried out and will be carried out on an arm's length basis and on commercial terms which are not more favourable to the related parties than those generally available to third parties and which will not be detrimental to our minority shareholders.

PETRONAS, in its personal capacity or the companies and businesses in which it has interests as a substantial shareholder, are either customers of our Group for MTBE and ucarsol and/or are suppliers to our Group for condensate, supplier of utilities comprising intermediate pressure, steam gaseous nitrogen, gaseous oxygen and demineralised water, supplier of electricity, supplier of natural gas, supplier of water and provider of freight and transport services. PETRONAS is also a supplier of feedstock such as natural gas, naphtha, ethane, propane and butane to our Group.

**13.4 RELATIONSHIPS OR ASSOCIATIONS BETWEEN OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER**

Save as disclosed below, there is no family relationship or association between any of the Directors, key management, substantial shareholder and Promoter after the Reorganisation:

**13.4.1 Association between Directors and the substantial shareholder/Promoter of our Company**

- (i) Our Directors, Datuk Wan Zulkiflee bin Wan Ariffin, Datuk Manharlal a/Ratilal and Datuk Anuar bin Ahmad are also Directors of PETRONAS and Directors of several subsidiaries of PETRONAS, as disclosed in Section 13.1.3 of this Prospectus.
- (ii) Our President/Chief Executive Officer, Dato' Tengku Mahamad bin Tengku Mahamut is a Director of several subsidiaries of PETRONAS. Our Directors, Kamarudin bin Zakaria and Md Arif bin Mahmood are Directors of several subsidiaries of PETRONAS, as disclosed in Section 13.1.3 of this Prospectus.

**13.4.2 Association between key management and the substantial shareholder/Promoter of our Company**

Our key management, Wan Shamilah binti Wan Muhammad Saidi, Abd Manaf bin Abd Hamid, Yusa' bin Hassan and Maliki Kamal bin Mohd Yasin are Directors of several subsidiaries of PETRONAS, as disclosed in Section 13.2.4 of this Prospectus.

**13. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, SUBSTANTIAL SHAREHOLDER AND PROMOTER (cont'd)**

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**13.5 DECLARATION BY OUR DIRECTORS, KEY MANAGEMENT AND PROMOTER**

Except as disclosed below, none of our Directors, key management or Promoter is or has been involved in the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

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## 14. APPROVALS AND CONDITIONS

### 14.1 APPROVALS AND CONDITIONS

The SC has, via its letter dated 8 October 2010, approved the IPO under Section 212(5) of the CMSA and equity requirement for public companies, subject to the compliance with the following conditions:

Details of conditions imposed					Status of compliance
(i)	PCG to obtain the certificates of fitness for occupation for the following properties within 6 months from the date of the SC's decision letter: <ul style="list-style-type: none"> <li>• Country Lease No. 205350607, Kg Ranca-Ranca, Wilayah Persekutuan Labuan; and</li> <li>• Lot 10750, Bandar Gurun, Daerah Kuala Muda, Kedah.</li> </ul>				To be complied.
(ii)	The following shareholding is to be placed under moratorium for a period of 6 months from the date of listing:				PETRONAS has undertaken not to sell, transfer or assign its entire shareholding in PCG as at the date of Listing for 6 months from the date of Listing.
		<b>Without exercise of the Over-allotment Option</b>	<b>With exercise of the Over-allotment Option</b>		
	<b>Name</b>	<b>No. of PCG Shares</b> million	<b>% of enlarged Issued and paid-up share capital of PCG</b> %	<b>No. of PCG Shares</b> million	
	PETRONAS	5,520	69.0	5,148	64.4
(iii)	CIMB/PCG to fully comply with the relevant requirements under the Equity Guidelines pertaining to the implementation of the proposals; and				Noted.
(iv)	CIMB/PCG to inform the SC upon the completion of the proposals.				To be complied.

The SC has, via its letters dated 30 August 2010 and 8 October 2010, approved the exemptions sought from having to comply with certain requirements under the Equity Guidelines and Prospectus Guidelines. The details of the exemptions sought and the accompanying conditions imposed by the SC are as follows:

Reference	Details of the waivers sought	Conditions imposed	Status of compliance, where applicable
<b>Equity Guidelines</b>			
Paragraph 5.08(b)	<b>Financial Position and Liquidity</b> Waiver in view of our negative cash flow from operating activities for the 4 months ended 31 July 2010	Nil	Not applicable.
Paragraph 5.11	<b>Transactions with Related Parties</b> Waiver in respect of non-trade debts owing by related parties	Disclosure is made in the listing prospectus that any non-trade debts owing by related parties that were not incurred in the ordinary course of business will be settled prior to listing.	Complied. The disclosure has been included in Section 8.3.7 of this Prospectus.
Paragraph 5.21(b)	<b>Restricted Offers</b> Waiver to allow the restricted offer to be extended to the directors and employees of selected subsidiaries of PETRONAS.	Nil	Not applicable.

## 14. APPROVALS AND CONDITIONS (cont'd)

Reference	Details of the waivers sought	Conditions imposed	Status of compliance, where applicable
Paragraph 5.30	<b>Moratorium</b> Waiver from moratorium undertaking by the Minister of Finance, Inc.	Nil	Not applicable.
Paragraph 2(f), Appendix I	<b>Content of cover letter for the application to the SC</b> Waiver to allow a modified confirmation such that any disclosures on non-compliances is made only with respect to the breach of any relevant laws, regulations, rules and requirements which may have a material adverse impact on the business operations and/or financial position of our Group	Nil	Not applicable.
<b>Prospectus Guidelines</b>			
Paragraph 9.01	<b>Information on Shareholders/Promoters/Directors/ Key management</b> To allow information relating to substantial shareholders to be limited to PETRONAS only	Nil	Not applicable.
Paragraph 11.01(b)	<b>Related party transactions/Conflicts of interests</b> To allow the non-disclosure of all outstanding loans by our Group's parent, i.e. PETRONAS to or for the benefit of related parties	Nil	Not applicable.
Paragraph 12.10	<b>Interim financial information</b> To allow the following for the exposure draft prospectus: (i) the submission of draft audited combined financial statements of the combined entity and draft Accountants' Report for the years ended 31 March 2008, 2009 and 2010 as well as the 4 months ended 31 July 2010, which will collectively be in one report; (ii) all financial information on the 4-month interim period up to 31 July 2010 to be left blank; and (iii) draft proforma balance sheet as at 31 July 2010 to be left blank.	(i) Disclosure in the registrable prospectus that the combined financial statements for the years ended 31 March 2008, 2009 and 2010 are draft financial statements and may be subject to further changes; and (ii) Material deviations, if any, between the draft and the audited combined financial statements are highlighted in the prospectus and clarified to the SC	Complied.

## 14. APPROVALS AND CONDITIONS (cont'd)

<u>Reference</u>	<u>Details of the waivers sought</u>	<u>Conditions imposed</u>	<u>Status of compliance, where applicable</u>
Paragraph 12.15, 12.16(a) and (c)	<b>Proforma financial information</b> To substitute the proforma income statement and proforma cash flow statement with the combined income statements and combined cash flow statements	Nil	Not applicable.
Paragraph 18.01(d) and 18.01(i)	<b>Documents available for inspection</b> To allow certain confidential provisions in the highly dependent contracts to be redacted for the purpose of making them available for public inspection; and  To allow our Group to submit and make available for inspection the audited financial statements for the 4 months ended 31 July 2010 on a combined basis instead of an individual basis	Nil  Nil	Not applicable.  Not applicable.
<b>Procedures for Registration</b>			
Paragraph 1.05	To allow the following in respect of the exposure draft prospectus: <ul style="list-style-type: none"> <li>Information based on the 4-month interim period up to 31 July 2010, the issue price of the IPO shares and number of IPO shares to be left blank; and</li> <li>Draft proforma balance sheet, Reporting Accountants' letter, Accountants' Report, Directors' Report and underwriting agreement to be included in the exposure draft prospectus</li> </ul>	<ul style="list-style-type: none"> <li>KPMG Desa Megat &amp; Co's letter of opinion is submitted together with the exposure draft prospectus.</li> <li>PCG Group/CIMB to provide a signed Directors' Report in the exposure draft prospectus and an updated report upon confirmation of registration</li> </ul>	Complied.
Paragraph 1.10 (a) (iii)	A modified confirmation that "save for certain pages in the English prospectus, the proforma balance sheet, the Reporting Accountants' Letter, Accountants' Report, Directors' Report and underwriting agreement", the accompanying documents in the registration file are complete, duly signed and dated	Nil	Complied.
Paragraph 1.10 (k)	The Bahasa Malaysia version of any experts' report to only be submitted at the confirmation stage of registration	Nil	Complied.
<b>Capital Markets &amp; Services (Price Stabilisation Mechanism) Regulations 2008</b>			
Paragraph 5	Waiver to allow the Stabilising Manager to settle the over-allotment shares pursuant to the Green Shoe Option by returning the proceeds from the sale of borrowed shares to the lending shareholders instead of new PCG Shares	Nil	Not applicable.

#### 14. APPROVALS AND CONDITIONS (cont'd)

In addition, the SC has no objection to the distribution of the prospectus and accompanying application form in the form of CD-ROM to eligible employees of PCG Group and PETRONAS, as well as eligible customers and those who have contributed to the success of PCG Group.

The SC has in its letter dated 30 August 2010 approved the clawback arrangement set out in Section 4.3.3 of this Prospectus.

The SAC of the SC has, via its letter dated 24 September 2010, classified our Shares as Shariah-compliant.

The Equity Compliance Unit of the SC noted that the effective equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the Listing as follows:

Category of shareholders	Before IPO	After IPO <sup>(1)</sup>	Assuming exercise of Over-allotment Option <sup>(2)</sup>
	%	%	%
Malaysian			
PETRONAS	100.0	69.00	64.35
Bumiputera institutional investors	-	11.50	11.50
Bumiputera public investors	-	1.00	1.00
Other Malaysian	-	2.66	2.66
Total Malaysian	100.0	84.16	79.51
Foreigner	-	15.84	20.49
<b>TOTAL</b>	<b>100.0</b>	<b>100.00</b>	<b>100.00</b>

**Notes:**

- (1) *Assuming all the IPO Shares allocated to Bumiputera investors under the Retail Offering and Bumiputera investors approved by MITI under the Institutional Offering are fully subscribed.*
- (2) *Assumes that the Stabilising Manager uses the proceeds from the sale of borrowed shares to pay to PETRONAS as settlement for the over-allotment shares.*

The MITI, in its letter dated 7 October 2010, has stated that it has no objection to the IPO, subject to compliance with the following conditions:

Details of conditions imposed	Status of compliance
(i) To obtain the SC's approval for the IPO	Complied. The SC had via its letter dated 8 October 2010 approved the IPO.
(ii) For monitoring purposes, the Company is required to notify MITI upon the completion of the Listing.	Noted.

## 14. APPROVALS AND CONDITIONS *(cont'd)*

### 14.2 MORATORIUM ON THE SALE OF SHARES

Pursuant to the Equity Guidelines, Shares held by our Promoter amounting to no less than 5,520,000,000 Shares or 69% of our nominal issued and paid-up share capital (subject to Over-allotment Option) at the date of admission of our Company to the Official List of the Main Market of Bursa Securities are required to be placed under moratorium. In this respect, our Promoter whose Shares are subject to moratorium are set out below:

Promoter	Direct <sup>#</sup>		Indirect	
	No. of Shares	%	No. of Shares	%
PETRONAS	5,520,000,000	69	-	-

**Note:**

# *The actual percentage of shareholdings shall vary and/or be adjusted accordingly based on the level of subscription for the IPO Shares.*

Our Promoter has fully accepted the moratorium. They will not be permitted to sell, transfer or assign any part of their respective interest in the Shares under moratorium for a 6 month period beginning from the date of our admission to the Official List of the Main Market of Bursa Securities (the "**Moratorium Period**").

The above moratorium restrictions are specifically endorsed on the share certificates representing the respective Shares held by our Promoter which are under moratorium to ensure that the Company's share registrar does not register any transfer that contravenes such restrictions.

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**15. UNDERWRITING FOR THE RETAIL OFFERING**

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We and the Selling Shareholder had, on 22 October 2010, entered into the Retail Underwriting Agreement with the Managing Underwriter and Joint Underwriters to underwrite 293.02 million Offer Shares under the Retail Offering, subject to the clawback and reallocation provisions set out in Section 4.3.3 of this Prospectus, for the underwriting commission set out in Section 4.6 of this Prospectus.

Below are the salient terms of the Retail Underwriting Agreement:

The underwriting obligations of our Joint Underwriters are subject to certain conditions precedent which must be satisfied on or prior to 3 Market Days after the closing date of the Retail Offering which in any case shall not be later than 26 November 2010 or such later date as consented to in writing. In addition, our Managing Underwriter, acting under the instructions in writing of the Majority Underwriters (as defined in the Retail Underwriting Agreement) may, by notice in writing given to us and the Selling Shareholder at any time before the date of our Listing, terminate, cancel and withdraw their underwriting commitment under the Retail Underwriting Agreement upon the occurrence of any one of the following events:

- (a) there is any breach by our Company or the Selling Shareholder of any of the representations, warranties or undertakings set out in the Retail Underwriting Agreement in any respect; or in the case of any warranties or representations or undertakings which are not qualified by any materiality requirements, in any material respect and in either event, where such misrepresentation or breach is capable of remedy, the same not being remedied within 5 Market Days, but in any event no later than the closing date of the Retail Offering from the provision of a written notice to our Company or the Selling Shareholder, as the case may be, by the Joint Underwriters;
- (b) we or the Selling Shareholder withholds any material information from the Joint Underwriters, which, in the reasonable opinion of the Managing Underwriter and the Joint Underwriters is likely to have a Material Adverse Effect. **"Material Adverse Effect"** means any material adverse effect, whether individually or in the aggregate, and whether or not arising in the ordinary course of business, on:
  - (i) the condition (financial or otherwise), results of operations or business affairs or prospects of our Group taken as a whole;
  - (ii) the ability of our Company or the Selling Shareholder to perform in any material respect its obligations under or with respect to, or to consummate the transactions contemplated by the Retail Underwriting Agreement and the Placement Agreement; or
  - (iii) the IPO;

## 15. UNDERWRITING FOR THE RETAIL OFFERING (cont'd)

- (c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Managing Underwriter or Joint Underwriters by reason of Force Majeure which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospects of our Group or the success of the IPO or which is reasonably likely to have the effect of making any material obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms, or our Company or any of our Group Companies (as defined in the Retail Underwriting Agreement) shall sustain any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labour disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, in each case, that has had or could reasonably be expected to have a Material Adverse Effect. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:
- (i) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;
  - (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power; or
  - (iii) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other Acts of God.
- (d) any government requisition or other occurrence of any nature whatsoever which is reasonably likely to have a material adverse effect on the business, operations, financial condition or prospects of our Group or the success of the IPO;
- (e) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Joint Underwriters is likely to have a Material Adverse Effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day:
- (i) on or after the date of the Retail Underwriting Agreement; and
  - (ii) prior to the date of our Listing,
- lower than 85%, of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least 5 consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;
- (f) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for 3 consecutive Market Days or more;

**15. UNDERWRITING FOR THE RETAIL OFFERING (cont'd)**

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- (g) any new law or regulation or change in law, regulation, directive, policy or ruling in any applicable jurisdiction which is reasonably likely to prejudice the success of the Listing or which is reasonably likely to have the effect of making any obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms;
- (h) the Institutional Offering or the Retail Offering is stopped by our Company, the Selling Shareholder or the regulatory authorities for any reason whatsoever;
- (i) the Listing does not take place on or before 15 December 2010 or within 3 Market Days after the Settlement Date, whichever is earlier, or such other extended date as may be agreed by the Managing Underwriter. "Settlement Date" means the date of delivery of the Applications Form(s) together with the remittance of subscription monies payable on the application of the Unsubscribed Shares by the Underwriters in accordance with Clause 8.1 of the Retail Underwriting Agreement; "Application Form" means the acceptance form issued together with the Prospectus; "Unsubscribed Shares" has the meaning ascribed to it in Clause 6.1 of the Retail Underwriting Agreement; and
- (j) the Placement Agreement shall have been terminated or rescinded in accordance with the terms thereof or any of the conditions precedent set forth in the Placement Agreement not having been satisfied in full or to the extent not satisfied as such, waived by the Joint Global Co-ordinators and Joint Bookrunners in accordance with its terms.

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## 16. DIRECTORS' REPORT



**PETRONAS CHEMICALS GROUP BERHAD** (459830-K)  
*(formerly known as Kuantan Terminals Sdn. Bhd.)*

22 OCT 2010

The Shareholders  
**PETRONAS Chemicals Group Berhad**  
*(formerly known as Kuantan Terminals Sdn Bhd)*

**Registered Office:**

Tower 1  
 PETRONAS Twin Towers  
 Kuala Lumpur City Centre  
 50088 Kuala Lumpur  
 Malaysia

Dear Sir/Madam

On behalf of the Directors of PETRONAS Chemicals Group Berhad *(formerly known as Kuantan Terminals Sdn Bhd)* ("PCG"), I wish to report after due inquiry that during the period from 31 July 2010 (being the date to which the last audited combined financial statements of PCG and its subsidiaries ("PCG Group") have been made up) to the date herein (being a date not earlier than 14 days before the issue of this Prospectus):

- (a) The business of PCG Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) In the opinion of the Directors, no circumstances have arisen since the last audited combined financial statements of the Subsidiaries which have adversely affected the trading or the values of the assets of the PCG Group;
- (c) The current assets of the PCG Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in Section 8.3.6 of this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by the PCG Group;
- (e) There has been no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowings since the last audited combined financial statements of PCG Group; and
- (f) Save as disclosed in Section 12.1.2 of this Prospectus, there has been no material change in the published reserves or any unusual factors affecting the profits of PCG Group since the last audited combined financial statements of the Subsidiaries.

Yours faithfully

For and on behalf of the Board of Directors of  
**PETRONAS CHEMICALS GROUP BERHAD**  
*(formerly known as Kuantan Terminals Sdn Bhd)*

A handwritten signature in black ink, appearing to read "Tengku M. Mahamut".

**Dato' Tengku Mahamad bin Tengku Mahamut**  
 President/Chief Executive Officer

**17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS**

**17.1 RELATED PARTY TRANSACTIONS**

Under the Bursa Securities LR that are applicable to companies listed on the Main Market of Bursa Securities, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiaries that involves the interests, direct or indirect, of a related party. A "related party" of a listed issuer (not being a special purpose acquisition company) is:

- (i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
  - (ii) a major shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the nominal amount of that share or the aggregate of the nominal amounts of those shares is:
    - (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or
    - (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation,
- or
- (iii) a person connected with such director or major shareholder.

**17.1.1 Non-Recurrent Related Party Transactions**

There are no existing or potential non-recurrent related party transactions for the past 3 years ended 31 March 2010 and 4 months ended 31 July 2010 and proposed for the year ending 31 March 2011 that we have entered into in respect of which rights and obligations are subsisting and/or proposed as at the date of this Prospectus.

## 17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

### 17.1.2 Recurrent Related Party Transactions

We, through our subsidiaries, enter into transactions in the ordinary course of business which are revenue or trading in nature with related parties, which are necessary for our day-to-day operations ("**Recurrent Transactions**"). Our Directors confirm that such Recurrent Transactions are carried out and will be carried out on an arm's length basis and on commercial terms which are not more favourable to the related parties than those generally available to third parties and which will not be detrimental to our minority shareholders.

We will make disclosures in our annual report of the aggregate value of transactions conducted based on the nature of Recurrent Transactions made, the names of the related parties involved and their relationship with our Company during the financial year and in the annual reports for subsequent financial years.

The Recurrent Transactions that we have entered into with our related parties for the past 3 years ended 31 March 2010 and 4 months ended 31 July 2010 and our proposed related party transactions for the year ending 31 March 2011 are set out below.

Save as disclosed below, there are no existing or potential Recurrent Transactions that we have entered into in respect of which rights and obligations are subsisting and/or proposed as at the date of this Prospectus.

Transacting Parties	Nature of Relationship	Nature of transaction	Transaction value				
			For the year ended 31 March	2009	2010	For the 4 months ended 31 July 2010	For the year ending 31 March 2011 <sup>(1)</sup>
			RM 000	RM 000	RM 000	RM 000	RM 000
PCG Group and its subsidiaries ("PETRONAS Group")	Interested major shareholder	<u>Integrated operations of our Group</u>					
	PETRONAS	(i)	3,148,931	4,404,110	4,744,739	1,610,793	5,302,762
	Interested Directors	(ii)	278,745	323,952	466,202	189,577	673,619
		(iii)	251,904	121,467	118,568	-	3,000

## 17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

Transacting Parties	Nature of Relationship	Nature of transaction	Transaction value				
			For the year ended 31 March		For the 4 months ended 31 July 2010	For the year ending 31 March 2011 <sup>(1)</sup>	
			2008 RM 000	2009 RM 000	2010 RM 000	RM 000	
PCG Group and its subsidiaries ("PETRONAS Group")	<ul style="list-style-type: none"> <li>Nuraini binti Ismail</li> <li>Adnan Zainol bin Abidin</li> <li>Mohd Farid bin Adnan</li> <li>Yusa' bin Hassan</li> <li>Ahmad Hamizan bin Hassan</li> <li>Wan Shamilah binti Wan Muhammad Saidi</li> <li>Farehana binti Hanapiyah</li> <li>Mahmad Zahri bin Mahzan</li> </ul> <p>The Interested Directors are common directors of subsidiaries of PETRONAS and PCG Group.</p>	(iv) Grant to PETRONAS Group for the right of usage of facilities and passage of commodities to facilitate the receipt and distribution of petrochemical and related products <sup>(2)</sup> ;	8,366	8,444	10,108	1,053	4,342
		(v) Provision of operating and maintenance services by PETRONAS Group <sup>(2)</sup> ;	4,303	4,238	7,468	1,254	3,761
		(vi) Purchase of marine diesel oil from PETRONAS Group <sup>(2)</sup> ;	1,192	1,084	847	415	1,346
		<b>Centralised services within the enlarged PETRONAS Group</b>					
		(vii) Provision of staff development and training by PERMATA and INSTEP;	12,922	15,468	13,819	2,671	12,191
		(viii) Provision of management services in relation to the secondment of key managerial and technical personnel from PETRONAS;	5,662	6,223	6,012	1,885	6,096
		(ix) Provision of R&D services by PETRONAS Research Sdn Bhd;	1,432	538	497	-	459
		(x) Provision of technical services by the Technical and Engineering division of PETRONAS;	-	-	10,648	6,166	20,064
		(xi) Provision of supply chain and management services by PETRONAS Group;	3,729	7,811	3,997	547	3,895
		<b>Services rendered within the PETRONAS Group</b>					
		(xii) Provision of vessel screening services by PETRONAS Maritime Sdn Bhd <sup>(2)</sup> ;	944	376	2,587	593	1,779

## 17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

Transacting Parties	Nature of Relationship	Nature of transaction	Transaction value				
			For the year ended 31 March		For the 4 months ended 31 July 2010	For the year ending 31 March 2011 <sup>(1)</sup>	
			2008	2009			2010
			RM 000	RM 000	RM 000	RM 000	RM 000
PCG Group and PETRONAS and its subsidiaries ("PETRONAS Group")		(xiii) Provision of freight, transportation and warehousing services by MISC Berhad and its subsidiaries ("MISC Group") <sup>(3)</sup> ;	10,745	13,126	32,643	8,018	27,677
		<u>Lease of office space</u>					
		(xiv) Lease/rental expenses for rental of office space from PETRONAS Group;	3,610	4,428	6,205	2,373	12,904
		<u>Others</u>					
		(xv) Sale of petrochemical products and other related products to PETRONAS Group:	1,567,889	1,652,895	1,365,632	585,811	1,653,270
		- MITCO Labuan;	947,184	722,984	631,918	218,034	694,958
		- Others <sup>(3)</sup>	598,134	492,214	491,377	178,189	633,445
		(xvi) Purchase of petrochemical products and other related products from PETRONAS Group;					
		(xvii) Service fee received for the provision of management services to MITCO (Japan);	1,867	1,960	2,058	721	2,161
		(xviii) Interest expense paid to PETRONAS Group <sup>(3)</sup> , and	26,664	32,994	28,265	8,769	70,343
		(xix) Interest income received from shareholders' loan to MITCO (Japan) <sup>(4)</sup>	3,859	2,067	160	-	-

## Notes:

(1) Estimated transaction value for the year ending 31 March 2011.



## 17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

- (2) *Recurrent Transactions in relation to which the Waiver (as defined herein) has been approved by Bursa Securities.*
- (3) *The interest expense paid to the PETRONAS Group are interest payable on loans and shareholder advances from PETRONAS Group to our Group. Pursuant to the Reorganisation, our Company acquired loans and shareholders advances from PETRONAS Group and hence, the transaction will no longer be deemed a Recurrent Transaction for the year ending 31 March 2011.*
- (4) *On 31 July 2010, MITCO (Japan) was disposed of to PETRONAS. Our Group is in the process of ceasing provision of management services to MITCO (Japan). Consequently, this transaction will no longer be deemed a Recurrent Transaction for the year ending 31 March 2011.*

We have on 19 October 2010, obtained approval from Bursa Securities for a waiver from compliance with Paragraph 10.09 of the Bursa Securities LR in respect of, amongst others, the requirement to obtain an annual shareholders' mandate to enter into transactions which are deemed as recurrent related party transactions as highlighted above in footnote (2) ("**Waiver**").

The Waiver is subject to the following conditions:

- (i) Disclosure of the Recurrent Transactions in our Annual Report in accordance with Paragraph 3.1.5 of Practice Note 12 of the Bursa Securities LR;
- (ii) Audit Committee's statement in our Annual Report incorporating the information as stipulated in Appendix 10C(3) of the Bursa Securities LR; and
- (iii) Disclosure in our first Annual Report after the listing date, an independent financial adviser's opinion that the methods or procedures in determining the transaction prices and terms of the Recurrent Transactions are sufficient to ensure that these transactions will be carried out on normal commercial terms and will not be to the detriment of our minority shareholders.

The independent financial adviser's opinion is required to be incorporated in subsequent Annual Reports unless our Audit Committee confirms that:

- (a) the methods or procedures for determining the transaction prices and terms have not changed since the last independent financial adviser's report; and
- (b) the methods or procedures in (a) are sufficient to ensure that the transactions will be carried out on normal commercial terms and not to the detriment of our minority shareholders.

Our Group forms part of the oil and gas value chain of the PETRONAS Group. The Waiver is sought in the context of the nature of our business. Transactions such as the supply of raw materials are vital to our operations, and alternative supplies will not be readily available as PETRONAS Group is a major supplier and, at times, the sole supplier of such raw materials. Due to the integrated nature of our petrochemical and business operations with the PETRONAS Group, we believe that the Waiver is of particular significance to ensure that we do not experience any potential disruption to our operations. With this Waiver, our Company will be able to enter into (or amend the terms of existing) transactions which are deemed as recurrent related party transactions without the prior approval of the shareholders of our Company.

**17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)**

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Notwithstanding that the Waiver has been granted, related party transactions will continue to be subject to review by our Audit Committee, which consists of 3 Independent Non-Executive Directors out of a total of 4 members. The Audit Committee is tasked with, amongst other matters, reviewing and reporting to our Board on any related party transactions and conflict of interest situations that may arise within our Group. Furthermore, the laws of Malaysia and the Bursa Securities LR restrict directors who are interested in any transaction from participating in deliberations and voting at Board meetings of our Company.

**17.1.3 Transactions entered into that are unusual in their nature or conditions**

There are no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets to which we were a party in respect of the past 3 years ended 31 March 2010 and 4 months ended 31 July 2010.

**17.1.4 Outstanding loans and guarantees**

There are no outstanding loans (including guarantees of any kind) made by our Company and/or any of our subsidiaries to or for the benefit of our related parties in respect of the past 3 years ended 31 March 2010 and subsequent financial periods thereof, immediately preceding the date of this Prospectus.

**17.1.5 Sukuk transaction**

In August 2009, PETRONAS undertook a sukuk issuance of USD1,500,000,000 trust certificates via a special purpose vehicle, namely PETRONAS Global Sukuk Ltd. The sukuk issue by PETRONAS Global Sukuk Ltd. involved a notional sale of a beneficial interest in specific fixed assets (the "**fixed assets**") by MTBE Malaysia, Polypropylene Malaysia, PETRONAS Ammonia and PETRONAS Fertilizer (the "**Relevant Subsidiaries**") to PETRONAS Global Sukuk Ltd. pursuant to 4 purchase agreements between each Relevant Subsidiary and PETRONAS Global Sukuk Ltd. PETRONAS Global Sukuk Ltd. leased the beneficial interest in the fixed assets to PETRONAS pursuant to a lease agreement, and such beneficial interest in the fixed assets was subsequently sub-leased by PETRONAS to the Relevant Subsidiaries pursuant to 4 sub-lease agreements between each Relevant Subsidiary and PETRONAS. This structure did not represent a collateralisation and there is no transfer of registered title of the fixed assets. The sukuk investors have no recourse to the fixed assets except to exercise the purchase undertaking and oblige PETRONAS to purchase the beneficial interest in the fixed assets at a specified price at the redemption date or upon a dissolution event. The Relevant Subsidiaries may then exercise their rights under the sale undertaking granted by PETRONAS to oblige PETRONAS to sell the beneficial interest in the fixed assets to the Relevant Subsidiaries at the price of RM1.00. The scheduled redemption date for the sukuk is 12 August 2014, and the beneficial interest in the fixed assets will not be available for additional Islamic financing until after such date.

## 17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS *(cont'd)*

### 17.2 CONFLICT OF INTERESTS

#### 17.2.1 Audit Committee review

Our Audit Committee reviews any related party transaction and conflicts of interests that may arise within our Group. Our Audit Committee periodically reviews the procedures set by our Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the third parties dealing at arm's length and are not to the detriment of our Company's minority shareholders. All reviews by our Audit Committee are reported to our Board for its further action.

#### 17.2.2 Monitoring and oversight of related party transactions and conflicts of interest

The related party transactions disclosed herein, by their very nature, involve a conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the officers of and the Directors our Group are also officers, directors and in some cases, shareholders of the related parties of our Group, as disclosed herein and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of companies within our Group not to enter into transactions with related parties unless these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to third parties dealing at arm's length with our Group and are not to the detriment of our Company's minority shareholders.

Prior to the Reorganisation, our Group formed part of the PETRONAS Group of companies. The transactions between our Group and our related parties, including with the PETRONAS Group after the Reorganisation will be subject to the review of our Group's Audit Committee.

### 17.3 DECLARATION BY ADVISERS ON CONFLICT OF INTERESTS

#### 17.3.1 Declaration by CIMB

CIMB Bank Berhad ("**CIMB Bank**"), a company under the CIMB Group Holdings Berhad group of companies ("**CIMB Group**"), has granted our Group banking facilities totalling up to RM223 million. The banking facilities comprise trade facilities, foreign exchange facilities and guarantee facilities. In addition, CIMB Bank has subscribed to RM5 million of PCG Group's fixed income securities.

As at the Latest Practicable Date, the total amounts owing by our Group to CIMB Bank are approximately RM19 million, details of which are as follows:

<u>Lender</u>	<u>Financing type</u>	<u>Amount outstanding as at the Latest Practicable Date RM million</u>
CIMB Bank	Trade facilities	14
	Fixed income securities	5
	Guarantee facilities	(1)
	<b>Total amount owing by PCG Group</b>	<b>19</b>

**17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)****Note:**

- (1) *Guarantee facilities with outstanding amount of RM1,000.*

We have no intention of utilising the proceeds to be raised from the Public Issue to repay the above facilities granted by CIMB Bank.

CIMB is of the view that there is no conflict of interest in its capacity as the Principal Adviser for the IPO, Managing Underwriter and Retail Underwriter for the Retail Offering and Joint Global Co-ordinator and Joint Bookrunner for the Institutional Offering, based on the following reasons:

- (a) the granting of financing facilities is part of the ordinary course of business of CIMB Group;
- (b) the conduct of CIMB Group is regulated strictly by the Banking and Financial Institutions Act, 1989 and CIMB Group's own internal controls and checks; and
- (c) the total outstanding amount owed by PCG is not material when compared to CIMB Group's audited consolidated total assets of RM240 billion as at 31 December 2009.

**17.3.2 Declaration by Deutsche Bank**

Deutsche Bank confirms that there is no conflict of interest in its capacity as the Joint Global Co-ordinator and Joint Bookrunner in relation to the Institutional Offering outside Malaysia.

**17.3.3 Declaration by Morgan Stanley**

Morgan Stanley confirms that there is no conflict of interest in its capacity as the Joint Global Co-ordinator and Joint Bookrunner in relation to the Institutional Offering outside Malaysia. Morgan Stanley and/or its affiliates may in the ordinary course of business engage in any one or more of the following:

- (i) Perform investment banking transactions with or provide services to our Company for which they have received, or may in the future receive, customary compensation;
- (ii) Acquire shares in the IPO other than as a Joint Global Co-ordinator and Joint Bookrunner for the Institutional Offering outside Malaysia; and
- (iii) Trade the securities of our Company for its own account and for the accounts of its customers, and may at any time hold a long or short position in such securities.

**17.3.4 Declaration by Albar & Partners**

Albar & Partners confirms that there is no conflict of interest in its capacity as the Legal Adviser to our Company, Selling Shareholder and Promoter as to Malaysian laws and for the IPO.

**17.3.5 Declaration by Cleary Gottlieb Steen & Hamilton LLP**

Cleary Gottlieb Steen & Hamilton LLP confirms that there is no conflict of interest in its capacity as the Legal Adviser to the Company, Selling Shareholder and Promoter as to United States and English laws, in relation to the IPO.

**17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)**

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**17.3.6 Declaration by KPMG Desa Megat & Co.**

KPMG Desa Megat & Co. confirms that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants for our Company in relation to the IPO.

**17.3.7 Declaration by Nexant**

Nexant confirms that there is no conflict of interest in its capacity as the Independent Market Researcher for our Company in relation to the IPO.

**17.3.8 Declaration by Citi**

Citi confirms that there is no conflict of interest in its capacity as the Co-Bookrunner in relation to the Institutional Offering outside Malaysia.

**17.3.9 Declaration by UBS**

UBS confirms that there is no conflict of interest in its capacity as the Co-Bookrunner in relation to the Institutional Offering outside Malaysia.

**17.3.10 Declaration by AmlInvestment Bank Berhad**

AmlInvestment Bank Berhad confirms that there is no conflict of interest in its capacity as the Co-Lead Manager in relation to the Institutional Offering outside Malaysia.

**17.3.11 Declaration by J.P. Morgan**

J.P. Morgan confirms that there is no conflict of interest in its capacity as the Co-Lead Manager in relation to the Institutional Offering outside Malaysia.

**17.3.12 Declaration by Standard Chartered**

Standard Chartered confirms that there is no conflict of interest in its capacity as the Co-Lead Manager in relation to the Institutional Offering outside Malaysia.

**17.3.13 Declaration by AFFIN Investment Bank Berhad**

AFFIN Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.14 Declaration by Alliance Investment Bank Berhad**

Alliance Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.15 Declaration by AmlInvestment Bank Berhad**

AmlInvestment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.16 Declaration by ECM Libra Investment Bank Berhad**

ECM Libra Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)**

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**17.3.17 Declaration by Hong Leong Investment Bank Berhad**

Hong Leong Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.18 Declaration by HwangDBS Investment Bank Berhad**

HwangDBS Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.19 Declaration by KAF Investment Bank Berhad**

KAF Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.20 Declaration by Maybank Investment Bank Berhad**

Maybank Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.21 Declaration by MIDF Amanah Investment Bank Berhad**

MIDF Amanah Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.22 Declaration by MIMB Investment Bank Berhad**

MIMB Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.23 Declaration by OSK Investment Bank Berhad**

OSK Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.24 Declaration by Public Investment Bank Berhad**

Public Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering.

**17.3.25 Declaration by RHB Investment Bank Berhad**

RHB Investment Bank Berhad is of the view that there is no conflict of interest in its capacity as the Joint Underwriter in relation to the Retail Offering. In the ordinary course of business, RHB Investment Bank Berhad and/or its related companies do engage in transactions with and perform services for the PETRONAS Group and its affiliates. RHB Investment Bank Berhad and/or its related companies have extended credit facilities and/or have engaged, and in the future may engage, in transactions in their ordinary course of business with our Company, PETRONAS Group and/or its affiliates.

## 18. ADDITIONAL INFORMATION

### 18.1 SHARE CAPITAL

- (i) Except as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of the issue of this Prospectus.
- (ii) We have no founder, management or deferred shares. As at the date of this Prospectus, we have only 1 class of shares in our Company, namely ordinary shares of RM0.10 each, all of which rank equally with one another.
- (iii) Except as disclosed in Sections 4.3 and 12.1.2 of this Prospectus, we have not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the 2 preceding years from the date of this Prospectus.
- (iv) Except for the IPO, no person has been or is entitled to be given an option to subscribe for any of our shares, stocks or debentures and we do not have and we have not agreed conditionally or unconditionally to put any of our share capital under option.
- (v) Except for the Offer Shares reserved for the eligible Directors of our Company and PETRONAS, eligible employees of our Group, PETRONAS and selected subsidiaries of PETRONAS, eligible customers and others who have contributed to the success of our Group as disclosed in Section 4.3.5 of this Prospectus, subject to our Listing, there is currently no other scheme involving our employees and directors in our capital.
- (vi) As at the date of this Prospectus, neither we nor our Subsidiaries have any outstanding convertible debt securities.
- (vii) Except as disclosed in this Prospectus, and save as provided under the Articles and the Act, there are no other restrictions upon the holding or voting or transfer of the Shares or the interests in any of the Company or its Subsidiaries or upon the declaration or payment of any dividend or distribution thereon.

### 18.2 EXTRACTS OF ARTICLES OF ASSOCIATION

The following provisions are reproduced from our Articles and are qualified in its entirety by the provisions of our Articles and by applicable law:

(i) Transfer of Shares

**“33. Transferor’s Right**

Subject to the Central Depositories Act and the Rules, any member may transfer all or any of the shares by instrument in writing in the form prescribed and approved by Bursa Securities. The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.

**18. ADDITIONAL INFORMATION (cont'd)**

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**34. Transfer of securities**

Subject to these Articles, there shall be no restriction on the transfer of fully-paid-up shares except where required by law. The transfer of any listed security or class of listed security of the Company shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

**35. Refusal to register transfers**

The Depository may refuse to register any transfer of deposited security that does not comply with the Central Depositories Act and the Rules.

**36. Suspension of registers**

The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine not exceeding in the whole thirty (30) days in any year. Subject always to Bursa Securities LR, at least ten (10) market days' notice of intention to close the said register shall be given to the Stock Exchange. The said notice shall state the purpose or purposes for which the register is being closed. At least three (3) market days prior notice shall be given to the Depository to prepare the appropriate Record of Depositors provided that where the Record of Depositors is required in respect of corporate actions, prior notice shall be given to the Depository.

**37. Renunciation**

Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

**38. Non-liability for the Company's Directors and officer in respect of transfer**

Neither the Company nor its Directors nor any of its officers shall incur any liability for the act of the Depository in registering or acting upon a transfer of shares apparently made by a Member or any persons entitled to the shares by reason of the death, bankruptcy or insanity of the Members although the same may by reason of any fraud or other cause not known to the Company or its Directors or the Depository or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee, of the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognized as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto."



**18. ADDITIONAL INFORMATION (cont'd)**

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**(ii) Remuneration of the Directors****“86. Directors’ remuneration**

Fees of Directors shall from time to time be determined by the Company in general meeting, and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:

- (a) fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;
- (b) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting; and
- (c) any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

**87. Reimbursement of expenses**

- (1) The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board Meetings of the Company.
- (2) If any Director whether he holds an executive or non executive position in the Company, being willing shall be called upon to perform extra services or to make any special arrangements in going or residing away from his country of domicile or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing if he holds an executive position in the Company, either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) and if he holds a non-executive position in the Company, either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of profits or turnover) and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors.

**90. Remuneration of Managing Director and Executive Director**

Executive Director(s) shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration as the Directors may from time to time determine. The remuneration of the Managing Director and/or Executive Directors may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover.”

**18. ADDITIONAL INFORMATION** (cont'd)(iii) Voting and Borrowing Powers of the Directors**"112. Borrowing powers of Directors**

Subject to Article 113, the Directors may from time to time at their discretion raise or borrow for the purpose of the Company such sums of money as they think proper and may also raise or secure the payment of such money in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of debentures or debenture stock of the Company, charged upon all or any part of the property of the Company (both present and future) including uncalled capital, or by means of charges, mortgages, bonds and dispositions in security or bonds or cash deposit, with or without power of sale, and upon such other terms and conditions as the Directors shall think fit. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its subsidiaries.

**113. Borrowings for unrelated third parties prohibited**

The Directors shall not borrow any money or mortgage or charge any of the Company or its subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of any unrelated third party unless it is permitted by the Bursa Securities LR.

**114. Debentures may be assignable**

Debentures, debenture stock or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

**121(1) Declaration of interest and restriction of voting**

A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, an interest, and if he does so vote, his vote shall not be counted."

**18. ADDITIONAL INFORMATION (cont'd)****(iv) Changes in capital and variation of class rights****“3. Issue of Shares**

- (1) Subject always to the provisions of the Act and these Articles, and to the provisions of any resolution of the Company, the shares of the Company shall be under the control of the Directors who may allot and issue or otherwise dispose of the same to such persons and on such terms and conditions with such preferred, deferred or other special rights or such restrictions whether in regard to dividend, voting or return of share capital, and either at a premium or otherwise and at such time or times as the Directors may think fit.
- (2) Article 3(1) shall be subject to the following restrictions, that is to say:
  - (a) No director shall participate in an issue of shares or options to employees of the Company unless the shareholders in general meeting have approved of the specific allotment to be made to such Director.
  - (b) No shares shall be issued at a discount, except in compliance with the provisions of Section 59 of the Act.
  - (c) The rights attaching to shares of a class other than ordinary shares shall be expressed in the resolutions passed for creating the same.

**7. Modification of class rights**

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons holding or representing by proxy one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution, Section 152 of the Act shall apply with such adaptations as may be necessary.”

**18.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS**

As the Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of the Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository (“**Depositor**”) by means of entries in the securities account of that Depositor.

**18. ADDITIONAL INFORMATION (cont'd)**

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A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of the Shares shall be deemed to be a shareholder of the Company and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

**18.4 DIRECTORS, SUBSTANTIAL SHAREHOLDER, KEY MANAGEMENT AND PROMOTER**

- (i) The names, addresses and occupations of our Directors are set out in Section 2 of this Prospectus.
- (ii) Our Directors are not required to hold any qualification share in us unless otherwise so fixed by us at a General Meeting.
- (iii) We do not have any existing or proposed service agreements (other than employment contracts) with our Directors or key management.
- (iv) Except as disclosed in Section 13.1.9 of this Prospectus, none of our Directors has been paid or intended to be paid remuneration and benefits within the 2 years preceding the date of this Prospectus, except for remuneration received in the course of employment and directors' fees.
- (v) Except as disclosed in Sections 12.1.2 and 13.1.9 of this Prospectus and dividends paid to our shareholders, no other amounts or benefits has been paid or intended to be paid to our substantial shareholder and Promoter within the 2 years preceding the date of this Prospectus.
- (vi) Except as disclosed in Sections 12.1.2 and 17.1.2 of this Prospectus, none of our Directors or our substantial shareholder has any interest, direct or indirect, in the promotion of, or in any material assets which have been, within the past 3 years ended 31 March 2010 and 4 months ended 31 July 2010 and up to the Latest Practicable Date of this Prospectus, acquired or disposed of by or leased to our Company or proposed to be acquired, disposed of by or leased to our Company.
- (vii) Except as disclosed in Sections 13.1.2 and 13.3.1 of this Prospectus, none of our Directors, substantial shareholder and Promoter has any direct or indirect interests in our Company, before and after the IPO.
- (viii) Except as disclosed in Section 7.19.6 of this Prospectus, none of our Directors or substantial shareholder has any interest in any contract, agreement or arrangement which is significant in relation to the businesses of our Group as at the date of this Prospectus.
- (ix) Except as disclosed in this Prospectus, none of our Directors are aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company.

**18. ADDITIONAL INFORMATION** *(cont'd)***18.5 GENERAL INFORMATION**

- (i) The nature of our business has been disclosed in Section 7 of this Prospectus.
- (ii) Save for Phu My and the representative offices of MITCO in Vietnam and China, our Company has not established any other place of business outside Malaysia.
- (iii) Apart from the listing sought on the Main Market of Bursa Securities, our Company is not listed on any stock exchange.
- (iv) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 19 of this Prospectus.
- (v) The date and time of the opening and closing of the application of the Retail Offering are set out in Sections 4.2 and 19.1 of this Prospectus.
- (vi) Shares under the Retail Offering are payable in full at the Retail Price upon application. The Institutional Offering investors shall pay the Institutional Price for the Shares under the Institutional Offering.
- (vii) Except as disclosed in Section 4.6 of this Prospectus, no commissions, discounts, brokerages or other special terms have been paid or is payable by our Company within the 2 years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company and in connection with the issue or sale of any capital of our Company and no Director or Promoter or expert is or are entitled to receive any such payment or any other benefits.
- (viii) During the last financial year up to the date of this Prospectus, there were no:
  - (a) public take-over offers by third parties in respect of our Company's shares; and
  - (b) public take-over offers by our Company in respect of other companies' shares.
- (ix) Except as disclosed in Section 13.3 of this Prospectus, there is no person, so far as known to us, who directly or indirectly, jointly or severally, exercise control over the corporation.
- (x) The governmental laws, decrees, regulations or other legislation in Vietnam that may affect the repatriation of capital and the remittance of profits by Phu My to Malaysia are as follows:
  - (a) Repatriation of capital by Phu My may be made by way of transfer of part/or all of its interest to another party or by a reduction of charter capital with the passing of a resolution by Phu My's Members' Council authorising the reduction of the charter capital. PCG has the right to repatriate profits provided that Phu My generates profits, fulfilled its tax and other financial obligations and having ensured that its debts and other property obligations may be paid in full after any distribution. Provisional transfers by Phu My may be made every quarter or once every 6 months after payment of corporate income tax. Annual transfers and one-off transfers of the whole of the amount of profits distributed or earned may be made to PCG after the end of the fiscal year and after making a tax finalisation report; and
  - (b) The Vietnam Dong is not a currency which is freely convertible. Foreign investors are permitted to convert income into a convertible currency and remit profits overseas upon the fulfillment of tax obligations in accordance with Vietnamese law.

## 18. ADDITIONAL INFORMATION *(cont'd)*

### 18.6 MATERIAL LITIGATION

We are not engaged in any material litigation, whether as plaintiff or defendant, and our Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position as at the Latest Practicable Date.

### 18.7 MATERIAL CONTRACTS

Except as disclosed below, we have not entered into any material contracts that are not entered into in the ordinary course of business, during the 2 years preceding the Latest Practicable Date:

18.7.1 Agreement dated 14 April 2009 made between PETRONAS and our Company ("**Share Transfer Agreement**") whereby PETRONAS has agreed to sell and deliver to our Company and our Company has agreed to purchase the shares held by PETRONAS in the following:

- (i) wholly-owned petrochemical operating units of PETRONAS comprising MTBE Malaysia, Polypropylene Malaysia, PETRONAS Methanol, PETRONAS Ammonia, Vinyl Chloride (Malaysia) and PETRONAS Fertilizer; and
- (ii) petrochemical joint venture companies comprising Ethylene Malaysia, Aromatics Malaysia, OPTIMAL Olefins, ASEAN Bintulu Fertilizer, PETLIN, OPTIMAL Chemicals, OPTIMAL Glycols, Polyethylene Malaysia, BASF PETRONAS Chemicals, BP PETRONAS Acetyls and Idemitsu SM,

for a total purchase consideration of RM3,705,039,000 upon such terms and subject to the conditions therein contained, to be satisfied by our Company as follows:

- (i) an issue by our Company of 500,000 ordinary shares of RM1,000 each and 100,000 RPS of RM1,000 each at a premium of RM31,000 each in our Company to PETRONAS amounting to a total of RM3,700 million; and
- (ii) the balance amounting to RM5,039,000 to be satisfied at a later date by any means to be determined by PETRONAS.

18.7.2 Supplemental Agreement dated 30 August 2010 between PETRONAS and our Company to supplement and vary the Share Transfer Agreement as follows:

- (i) by varying the basis for arriving at the purchase consideration to the higher of cost of investment or NTA, and to vary the total purchase consideration for the sale and purchase of the shares pursuant to the Share Transfer Agreement accordingly;
- (ii) by providing for the sale by PETRONAS and the purchase by our Company of additional shares in OPTIMAL Chemicals, OPTIMAL Glycols, OPTIMAL Olefins and shares in Kertih Terminals and MITCO; and
- (iii) by providing for the sale by PETRONAS and the purchase by our Company of debts due to PETRONAS by some of the acquiree companies totalling RM1,424,951,693.08 (the illustrative amount based on an exchange rate of USD1:00 to RM3.50, where the loan is denominated in USD) for a consideration of the same amount due by our Company to PETRONAS pursuant to a loan agreement as described in Section 18.7.5 below.

**18. ADDITIONAL INFORMATION (cont'd)**

The shares in the Subsidiaries, Associates (except for Malaysian NPK Fertilizer) and Jointly Controlled Entity are to be sold by PETRONAS to our Company for a purchase consideration of RM12,465,900,000 to be satisfied by the issue of 7,290,000,000 new Shares credited as fully paid-up;

- 18.7.3 Share purchase agreement dated 30 August 2010 between our Company and PETRONAS International in relation to the sale of 93.11% of the charter capital of Phu My held by PETRONAS International to our Company for a purchase consideration of USD29,925,565.32 to be satisfied in cash and the sale to our Company of a debt in the sum of USD25,000,000 owing by Phu My to PETRONAS International, for a purchase consideration of USD25,000,000 to be satisfied in cash, the consideration for which is an amount due by our Company to PETRONAS pursuant to a loan agreement as described in Section 18.7.5 below;
- 18.7.4 Share purchase agreement dated 30 August 2010 between our Company, PETRONAS Maritime Services Sdn Bhd and PETRONAS in relation to the sale of the entire share capital of Kertih Port held by PETRONAS Maritime Services Sdn Bhd to our Company for a purchase consideration of RM416,928,492 to be satisfied in cash at a later date to be agreed between PETRONAS Maritime Services Sdn Bhd and our Company; and in relation to the sale to our Company of a debt in the sum of RM38,400,000 owing by Kertih Port to PETRONAS, for a purchase consideration of RM38,400,000 to be satisfied in cash and debt owing respectively upon the terms of payment as specified in the agreement, the consideration for which is an amount due by our Company to PETRONAS pursuant to a loan agreement as described in Section 18.7.5 below;
- 18.7.5 Shareholders' Loan Agreement dated 6 September 2010 entered into between our Company and PETRONAS whereby PETRONAS agreed to lend to our Company and our Company agreed to borrow from PETRONAS a shareholder's loan of up to an aggregate principal amount of RM4,300,000,000 to be made available by PETRONAS to our Company to fund the PETRONAS Cash Consideration, BP Cash Consideration, Additional BP Cash Consideration, Debts Acquisition Payable and other general corporate expenses for a tenure of 2 years from the date of the first drawdown of the loan facility with an interest rate calculated at the 6-month Kuala Lumpur Inter-bank Offered Rate plus 0.7% per annum. Pursuant to the Shareholders' Loan Agreement, our Company shall repay to PETRONAS all amounts outstanding under the Shareholders' Loan Agreement in full on 30 September 2012.
- 18.7.6 Retail Underwriting Agreement dated 22 October 2010 entered into between our Company, the Selling Shareholder, Managing Underwriter and the Joint Underwriters to underwrite 293.02 million Offer Shares under the Retail Offering at a managing underwriting and underwriting commission of 1.70% of the value of the Retail Offering (being the number of underwritten Offer Shares multiplied by the Retail Price); and
- 18.7.7 Master Cornerstone Placing Agreement dated 22 October 2010 entered into among our Company, PETRONAS and CIMB on the one part, and on the other part, Employees Provident Fund Board and Kumpulan Wang Persaraan (Diperbadankan), under which the Cornerstone Investors agree to purchase an aggregate of 445 million Shares, representing approximately 5.56% of the issued and paid-up share capital of our Company, pursuant to the Institutional Offering at RM5.20 per Share or the Institutional Price, whichever is lower.

**18. ADDITIONAL INFORMATION** *(cont'd)***18.8 CONSENTS**

The written consents of the Principal Adviser, Managing Underwriter, Joint Underwriters, Joint Global Co-ordinators, Joint Bookrunners, Co-Bookrunners, Co-Lead Managers, Legal Advisers, Principal Bankers, Share Registrar and Issuing House as set out in the Corporate Directory of this Prospectus to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion of its name, Accountants' Report, and Reporting Accountants' letter on the Pro Forma Consolidated Statements of Financial Position of PCG as at 31 July 2010 in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Nexant to the inclusion of its name, the Independent Market Report on the Global and Malaysian Petrochemicals Industry and its letter dated 22 October 2010 in the form and context in which they are contained on this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

**18.9 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at our registered office during office hours for a period of 12 months from the date of this Prospectus:

- (i) Our Memorandum and Articles;
- (ii) Our material contracts and agreements which our Group is dependent on referred to in Section 7.19.6 and Section 18.7 of this Prospectus;
- (iii) The audited combined financial statements of our Group for the 3 years ended 31 March 2008, 31 March 2009 and 31 March 2010 and 4 months ended 31 July 2010;
- (iv) The audited financial statements of our Subsidiaries for the 3 years ended 31 March 2008, 31 March 2009 and 31 March 2010;
- (v) Management accounts of PCG Group for the period ended 30 September 2010;
- (vi) Our Reporting Accountants' Letter on the Pro Forma Consolidated Statements of Financial Position referred to in Section 8.9 of this Prospectus;
- (vii) The Accountants' Report as referred to in Section 9 of this Prospectus;
- (viii) The Directors' Report as referred to in Section 16 of this Prospectus;
- (ix) Nexant's Independent Market Report on the Global and Malaysian Petrochemicals Industry enclosed in Section 6 of this Prospectus; and
- (x) The letters of consent referred to in Section 18.8 of this Prospectus.



**18. ADDITIONAL INFORMATION** *(cont'd)*

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**18.10 RESPONSIBILITY STATEMENTS**

Our Directors and the Promoter have reviewed and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy and correctness of the information given in this Prospectus and confirm that, after making all reasonable enquiries and, to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Prospectus false or misleading.

CIMB, as the Principal Adviser for our IPO and Managing Underwriter and Joint Underwriter for the Retail Offering and Joint Global Co-ordinator and Joint Bookrunner for the Institutional Offering in relation to our IPO, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts on our IPO.

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## 19. PROCEDURES FOR APPLICATION

### 19.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE RETAIL OFFERING: 10.00 am, 1 November 2010

CLOSING OF THE RETAIL OFFERING: 5.00 pm, 9 November 2010

Our Directors, the Selling Shareholder, the Managing Underwriter and Joint Underwriters and the Joint Global Co-ordinators and Joint Bookrunners may decide in their absolute discretion to vary the closing time and date for applications under the institutional Offering and Retail Offering to any later date or dates. If they decide to vary the closing date for the applications, the Price Determination Date and dates for the balloting of the Offer Shares, the allotment of the Issue Shares and the transfer of the Offer Shares and our Listing will be varied accordingly. We will announce any variation in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.

Late applications will not be accepted.

### 19.2 METHODS OF APPLICATION AND CATEGORY OF INVESTORS

#### 19.2.1 Application for Offer Shares under Retail Offering

Applications for the Offer Shares pursuant to the Retail Offering may be made using either of the following:

<u>Type of Application Form</u>	<u>Category of Investor</u>
WHITE Application Form or Electronic Share Application <sup>(1)</sup> or Internet Share Application <sup>(2)</sup>	Malaysian public (for individuals)
WHITE Application Form only	Malaysian public (for non individuals, e.g. corporations, institutions, etc)
PINK Application Form only	Eligible Directors of our Company and PETRONAS and eligible employees of our Group, PETRONAS and selected subsidiaries of PETRONAS
BLUE Application Form only	Eligible customers and others who have contributed to the success of our Group

**Notes:**

- (1) A surcharge of RM2.50 per Electronic Share Application will be charged by the Participating Financial Institution.
- (2) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institutions:
- (i) CIMB ([www.eipocimb.com](http://www.eipocimb.com)) – RM2.00 for payment via CIMB Bank Berhad or via Malayan Banking Berhad;
  - (ii) CIMB Bank Berhad ([www.cimbclicks.com.my](http://www.cimbclicks.com.my)) – RM2.00 for applicants with CDS accounts held with CIMB and RM2.50 for applicants with CDS accounts with other ADAs;
  - (iii) Malayan Banking Berhad ([www.maybank2u.com.my](http://www.maybank2u.com.my)) – RM1.00;
  - (iv) Affin Bank Berhad ([www.affinOnline.com](http://www.affinOnline.com)) – No fees will be charged for application by their account holders; and
  - (v) RHB Bank Berhad ([www.rhb.com.my](http://www.rhb.com.my)) – RM2.50.

## 19. PROCEDURES FOR APPLICATION *(cont'd)*

An eligible Director of our Company and PETRONAS and eligible employee of our Group, PETRONAS and selected subsidiaries of PETRONAS who has made an application using a PINK Application Form or an eligible customer and others who have contributed to the success of our Group who has made an application using a BLUE Application Form may still apply for the Offer Shares offered to the Malaysian public using the WHITE Application Form, Electronic Share Application or Internet Share Application.

However, applicants using the PINK, BLUE or WHITE Application Forms are not allowed to submit multiple applications in the same category of application. Further, applicants who have submitted their applications using WHITE Application Forms are not allowed to make additional applications using the Electronic Share Applications and Internet Share Applications, and vice versa.

### 19.2.2 Application by institutional investors and selected investors under the Institutional Offering

Institutional investors and selected investors being allocated the IPO Shares under the Institutional Offering (other than the Bumiputera institutional investors approved by the MITI) will be contacted directly by the respective Joint Global Co-ordinators, Joint Bookrunners, Co-Bookrunners and Co-Lead Managers and shall follow the instructions as communicated by the respective Joint Global Co-ordinators, Joint Bookrunners, Co-Bookrunners and Co-Lead Managers. Bumiputera institutional investors approved by the MITI who have been allocated Offer Shares will be contacted directly by the MITI and should follow the instructions as communicated through the MITI.

## 19.3. PROCEDURES FOR APPLICATION AND ACCEPTANCE

### 19.3.1 Application by the eligible Directors of our Company and PETRONAS and eligible employees of our Group, PETRONAS and selected subsidiaries of PETRONAS (PINK Application Forms)

The eligible Directors of our Company and PETRONAS and eligible employees of our Group, PETRONAS and selected subsidiaries of PETRONAS will be provided separately with PINK Application Forms and letters by us detailing their respective allocation. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

### 19.3.2 Application by the eligible customers and others who have contributed to the success of our Group (BLUE Application Forms)

The eligible customers and others who have contributed to the success of our Group will be provided with BLUE Application Forms and letters by us detailing their respective allocation. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

### 19.3.3 Application by the Malaysian public under the Retail Offering (WHITE Application Form, Electronic Share Application or Internet Share Application)

#### Eligibility

You can only apply for our Shares if you meet the following requirements:

- (i) You must have a CDS account. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs listed in Section 20 of this Prospectus;

**19. PROCEDURES FOR APPLICATION (cont'd)**

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- (ii) You must be one of the following:
- (a) a Malaysian citizen who is at least 18 years old as at the closing date of the Retail Offering with a Malaysian address; or
  - (b) a corporation/institution incorporated in Malaysia where, there is a majority of Malaysian citizens on your board of directors/ trustee and if you have a share capital more than half of your issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (c) a superannuation, co-operative, foundation or provident or pension fund established or operating in Malaysia.

We will not accept applications from trustees, persons under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations / institutions referred to in item (ii) (b) or (c) above or the trustees thereof;

- (iii) you are not a director or employee of the Issuing House or their immediate family members.

**19.4 PROCEDURES FOR APPLICATION BY WAY OF AN APPLICATION FORM**

Each application for the Offer Shares under the Retail Offering must be made on the correct Application Form for the relevant category of investors issued together with this Prospectus and must be completed in accordance with the notes and instructions contained therein in the respective category of Application Form. The Application Form together with the notes and instructions contained therein shall constitute an integral part of this Prospectus. Applications which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or Notes and Instructions or which are illegible may not be accepted in the absolute discretion of our Directors.

**Full instructions for the application for our Offer Shares offered and the procedures to be followed are set out in the Application Forms. All applicants are advised to read the Application Forms and the notes and instructions therein carefully.**

**19. PROCEDURES FOR APPLICATION (cont'd)**

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Malaysian public should follow the following procedures in making their applications under the Retail Offering:

**Step 1: Obtain Application Documents**

Obtain the relevant Application Form together with the Official "A" and "B" envelopes and this Prospectus.

The **WHITE** Application Forms can be obtained subject to availability from the following parties:

- (i) CIMB;
- (ii) Participating organisations of Bursa Securities;
- (iii) Members of the Association of Banks in Malaysia;
- (iv) Members of the Malaysian Investment Banking Association;
- (v) Issuing House; and
- (vi) Company.

**Step 2: Read the Prospectus**

In accordance with Section 232(2) of the CMSA, the Application Forms are accompanied by this Prospectus. You are advised to read and understand the Prospectus before making your application.

**Step 3: Complete the relevant Application Form**

Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions contained therein and in this Prospectus.

**(i) Personal particulars**

You must ensure that your personal particulars submitted in your application are identical with the records maintained by the Bursa Depository. Please inform the Bursa Depository promptly of any changes to your personal particulars.

If you are an individual and you are not a member of the armed forces or police, the name and national registration identity card ("**NRIC**") number must be the same as:

- your NRIC;
- any valid temporary identity document issued by the National Registration Department from time to time; or
- your "Resit Pengenalan Sementara (JPN KP 09)" issued pursuant to Peraturan 5(5), Peraturan-peraturan Pendaftaran Negara 1990.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be exactly as that stated in your authority card.

For corporations/institutions, the name and certificate of incorporation number must be the same as that stated in the certificate of incorporation or the certificate of change of name, where applicable.

**19. PROCEDURES FOR APPLICATION (cont'd)****(ii) CDS account number**

You must state your CDS account number in the space provided in the Application Form. Invalid or nominee or third party CDS accounts will **not** be accepted.

**(iii) Details of payment**

You must state the details of your payment in the appropriate boxes provided in the Application Form.

**(iv) Number of Offer Shares Applied**

Applications must be for at least 100 Offer Shares or multiples of 100 Offer Shares for applicants using the PINK, BLUE and WHITE Application Forms.

**Step 4: Prepare Appropriate Form of Payment**

Prepare the correct form of payment in RM for the FULL amount payable for the Offer Shares based on the Retail Price, which is RM5.05 per Offer Share.

Payment must be made out in favour of "**MIH SHARE ISSUE ACCOUNT No. 502**" and crossed "**A/C PAYEE ONLY**" (excluding ATM statements) and endorsed on the reverse side with your name and address. We only accept the following forms of payment:

- (i) banker's draft or cashier's order purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants);
- (ii) money order or postal order (for applicants from Sabah and Sarawak only);
- (iii) Guaranteed Giro Order ("**GGO**") from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); or
- (iv) ATM statement obtained only from any of the following:
  - Affin Bank Berhad;
  - Alliance Bank Malaysia Berhad;
  - AmBank (M) Berhad;
  - CIMB Bank Berhad;
  - EON Bank Berhad;
  - Hong Leong Bank Berhad;
  - Malayan Banking Berhad;
  - Public Bank Berhad; or
  - RHB Bank Berhad;

We will not accept applications with excess or insufficient remittances or inappropriate forms of payment.

## 19. PROCEDURES FOR APPLICATION *(cont'd)*

### Step 5: Finalise application

Insert the relevant Application Form together with payment and a legible photocopy of your identification document (NRIC/ valid temporary identity document issued by the National Registration Department/ "Resit Pengenalan Sementara (JPN KP 09)"/ authority card for armed forces or police personnel/ certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable)) into the Official "A" envelope and seal it. Write your name and address on the outside of the Official "A" and "B" envelopes. The name and address written must be identical to your name and address as per your NRIC/"Resit Pengenalan Sementara (JPN KP 09)"/ authority card for armed forces or police personnel /valid temporary identity document issued by the National Registration Department / authority card for armed forces or police personnel / certificate of incorporation or the certificate of change of name, where applicable. Affix a stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

### Step 6: Submit application

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents can be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

*Malaysian Issuing House Sdn Bhd (258345-X)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
P.O. Box 8269  
Pejabat Pos Kelana Jaya  
46785 Petaling Jaya*

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-In Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 9 November 2010, or such later date or dates as the Directors, the Promoter and Selling Shareholder and the Managing Underwriter and Joint Underwriters in their absolute discretion may decide.

## 19.5 PROCEDURES FOR APPLICATION BY WAY OF AN ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our Shares by way of Electronic Share Application in respect of the Offer Shares made available for application by the Malaysian public.

### 19.5.1 Steps for Electronic Share Application through a Participating Financial Institution's ATM

- (a) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for Offer Shares at an ATM belonging to other Participating Financial Institutions;

## 19. PROCEDURES FOR APPLICATION *(cont'd)*

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- (b) You **must have a CDS account**;
- (c) The applicant is advised to read and understand the Prospectus before making the application; and
- (d) You shall apply for the Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out on Section 19.5.3 of the terms and conditions for Electronic Share Applications. You shall enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so:
  - Personal Identification Number (PIN);
  - MIH Share Issue Account Number No. 502;
  - CDS account number;
  - Number of Offer Shares applied for and/or the RM amount to be debited from the account; and
  - Confirmation of several mandatory statements.

### 19.5.2 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:

- AFFIN BANK BERHAD;
- AMBANK (M) BERHAD;
- BANK MUAMALAT MALAYSIA BERHAD;
- CIMB BANK BERHAD;
- EON BANK BERHAD;
- HSBC BANK MALAYSIA BERHAD;
- MALAYAN BANKING BERHAD;
- OCBC BANK (MALAYSIA) BERHAD;
- RHB BANK BERHAD; OR
- STANDARD CHARTERED BANK MALAYSIA BERHAD (at selected branches only).

### 19.5.3 Terms and Conditions of Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("**Steps**"). For illustration purposes, the procedures for Electronic Share Applications at ATMs are set out in "**Steps for Electronic Share Application through a Participating Financial Institution's ATM**" in Section 19.5.1 of this Prospectus. The Steps set out the actions that the applicant must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application.

You must have a CDS account to be eligible to use the Electronic Share Applications.



## 19. PROCEDURES FOR APPLICATION *(cont'd)*

Upon the completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your records and should not be submitted with any Application Form.

Upon the closing of the Retail Offering on 9 November 2010 at 5.00 p.m. ("**Closing Date and Time**"), the Participating Financial Institutions shall submit a magnetic tape containing its respective customers' applications for the Offer Shares to the Issuing House as soon as practicable but not later than 12.00 p.m. of the second business day after the Closing Date and Time.

You will be allowed to make only 1 application and shall not make any other application for the Offer Shares under the Retail Offering to the Malaysian public, whether at the ATMs of any Participating Financial Institution or using the WHITE Application Forms.

**You must ensure that you use your own CDS account number when making an Electronic Share Application. If you operate a joint account with any Participating Financial Institution, you must ensure that you enter your own CDS account number when using an ATM card issued to you in your name. Your application will be rejected if you fail to comply with the foregoing.**

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (i) The Electronic Share Application shall be made in relation with and subject to the terms of this Prospectus and our Memorandum and Articles.
- (ii) You are required to confirm the following statements (by pressing predesignated keys (or buttons) on the ATM keyboard) and undertake that the following information given is true and correct:
  - You have attained 18 years of age as at the Closing Date and Time;
  - You are a Malaysian citizen residing in Malaysia;
  - You have read the relevant Prospectus and understood and agreed with the terms and conditions of the application;
  - This is the only application that you are submitting; and
  - You hereby give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the Issuing House and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institution. By doing so, you shall be deemed to have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the SICDA to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to the Issuing House, or any relevant regulatory bodies.

**19. PROCEDURES FOR APPLICATION (cont'd)**

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- (iii) **You confirm that you are not applying for the Offer Shares as a nominee of any other person and that any Electronic Share Application that you make is made by you as the beneficial owner. You shall only make 1 Electronic Share Application and shall not make any other application for the Offer Shares, whether at the ATMs of any Participating Financial Institution or on the prescribed Application Forms.**
- (iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.
- (v) You agree and undertake to subscribe for or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or any lesser number of Offer Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we and the Selling Shareholder decide to allot or allocate any lesser number of such Offer Shares or not to allot or allocate any shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the predesignated keys (or buttons) on the ATM) of the number of Offer Shares applied for shall signify, and shall be treated as, your acceptance of the number of Offer Shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles.
- (vi) We reserve the right not to accept any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the Offer Shares to a reasonable number of applicants with a view to establishing an adequate market for the Offer Shares.
- (vii) Where an Electronic Share Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful applications. If your Electronic Share Application is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies without interest into your account with that Participating Financial Institution within 2 Market Days after the receipt of confirmation from the Issuing House. The Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful applications within 2 Market Days after the balloting date. You may check your account on the fifth Market Day from the balloting day.

If your Electronic Share Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into your account with the Participating Financial Institution within 2 Market Days after the receipt of confirmation from the Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications, which are subsequently rejected, the application monies without interest will be refunded to applicants by the Issuing House by way of cheques issued by the Issuing House. The cheques will be issued to the applicants not later than 10 Market Days from the day of the final ballot of the application list.

Should you encounter any problems in your application, you may refer to the Participating Financial Institutions.

**19. PROCEDURES FOR APPLICATION (cont'd)**

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- (viii) You request and authorise us:
- (a) To credit the Offer Shares allocated to you into your CDS account; and
  - (b) To issue share certificate(s) representing such shares allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (ix) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control, the Issuing House or the Participating Financial Institution and irrevocably agree that if:
- (a) Our Company, the Selling Shareholder or the Issuing House does not receive your Electronic Share Application; and
  - (b) Data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or the Issuing House,
- you shall be deemed not to have made an Electronic Share Application and you shall not make any claim whatsoever against our Company, the Selling Shareholder, the Issuing House or the Participating Financial Institution for the Shares applied for or for any compensation, loss or damage.
- (x) All of your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be true and correct, and we, the Issuing House and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (xi) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your registered address last maintained with Bursa Depository.
- (xii) By making and completing an Electronic Share Application, you agree that:
- (a) In consideration of us agreeing to allow and accept the application for shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
  - (b) We, the Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application to our Company due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;

**19. PROCEDURES FOR APPLICATION (cont'd)**

- (c) Notwithstanding the receipt of any payment by or on our behalf, the notice of successful allocation for prescribed securities issued in respect of the Offer Shares for which your Electronic Share Application has been successfully completed is the only confirmation for the acceptance of your offer to subscribe for and purchase the said Offer Shares;
  - (d) You irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Offer Shares allocated to you; and
  - (e) You agree that in relation to any legal action or proceedings arising out of or in relation with the contract between the parties and/or the Electronic Share Application Scheme and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (xiii) If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors and the Selling Shareholder shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
  - (xiv) The Issuing House, on the authority of our Directors and the Selling Shareholder reserves the right to reject applications, which do not conform to these instructions.
  - (xv) A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

**19.6 PROCEDURES FOR APPLICATION BY WAY OF AN INTERNET SHARE APPLICATION**

Only members of the public who are individuals may apply for our Offer Shares by way of Internet Share Application.

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Internet Share Application and the procedures set out on the Internet financial services website of the Internet Participating Financial Institution before making an Internet Share Application.

**Step 1: Set up of account**

Before making an application by way of Internet Share Application, you **must have all** of the following:

- (i) an existing account with access to internet financial services with **CIMB** at [www.eipocimb.com](http://www.eipocimb.com) or **CIMB Bank Berhad** at [www.cimbclicks.com.my](http://www.cimbclicks.com.my) or **Malayan Banking Berhad** at [www.maybank2u.com.my](http://www.maybank2u.com.my) or **RHB Bank Berhad** at [www.rhb.com.my](http://www.rhb.com.my) or **Affin Bank Berhad** at [www.affinOnline.com](http://www.affinOnline.com). You need to have your user identification and PIN/password for the Internet financial services facility; and

**19. PROCEDURES FOR APPLICATION (cont'd)**

- (ii) an individual CDS account registered in your name (and not in a nominee's name).

**Step 2: Read the Prospectus**

You are advised to read and understand the Prospectus before making your application.

**Step 3: Apply through Internet**

*We have set out possible steps for an application of the Offer Shares via Internet Share Application below for illustration purposes only.*

**Please note that the actual steps for Internet Share Applications through the internet financial services website or a particular Internet Participating Financial Institution may differ from the steps outlined below.**

- (i) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an account;
- (ii) Log in to the Internet financial services facility by entering your user identification and PIN/password;
- (iii) Navigate to the section of the website on applications in respect of IPO;
- (iv) Select the counter in respect of the Offer Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application;
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;
- (vi) At the next screen, complete the online application form;
- (vii) Check that the information contained in the online application form, such as the share counter, NRIC number, CDS account number, number of Offer Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.

After selecting the designated hyperlink on the screen, you will have to confirm and undertake that the following mandatory statements are true and correct:

- (a) You are at least 18 years of age as at the Closing Date and Time;
- (b) You are a Malaysian citizen residing in Malaysia;
- (c) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of the Prospectus, the contents of which you have read and understood;
- (d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus, before making the Internet Share Application;
- (e) The Internet Share Application is the only application that you are submitting for the Offer Shares;
- (f) You authorise the financial institution with which you have an account to deduct the full amount payable for the Shares from your account with the said financial institution ("**Authorised Financial Institution**");

**19. PROCEDURES FOR APPLICATION (cont'd)**

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- (g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of SICDA) for the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or the Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to the Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;
- (h) You are not applying for the Offer Shares as a nominee of any other person and the application is made in your own name, as beneficial owner and subject to the risks referred to in this Prospectus; and
- (i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services;
- (viii) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of your money for the IPO;
- (ix) You must pay for the Offer Shares through the website of the Authorised Financial Institution, failing which the Internet Share Application is **not completed**, despite the display of the Confirmation Screen. "**Confirmation Screen**" refers to the screen which appears or is displayed on the Internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of Offer Shares applied for, which can be printed out by you for your records;
- (x) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for the Offer Shares is being made. Subsequently, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website; and
- (xi) You are advised to print out the Confirmation Screen for your reference and records.

## 19. PROCEDURES FOR APPLICATION *(cont'd)*

### 19.7 TERMS AND CONDITIONS

The terms and conditions outlined below supplement the additional terms and conditions for Internet Share Application contained in the Internet Financial Services website of the Internet Participating Financial Institution. Please refer to the Internet Financial Services website of the Internet Participating Financial Institution for the exact terms and conditions and instructions.

- (i) You are required to pay the Retail Price of RM5.05 for each Offer Share you have applied for.
- (ii) You can submit only 1 application for the Offer Shares offered to the Malaysian public. For example, if you submit an application using a WHITE Application Form, you cannot submit an Electronic Share Application or Internet Share Application.

However, if you have made an application under the PINK or BLUE Application Form, you can still apply for the Shares offered to the Malaysian public using the WHITE Application Form, Electronic Share Application or Internet Share Application.

The Issuing House, acting under the authority of our Directors and the Selling Shareholder has the discretion to reject applications that appears to be multiple applications.

**We wish to caution you that if you submit more than one (1) application in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and may be punished with a minimum fine of RM1,000,000 and a jail term of up to ten (10) years under Section 182 of the CMSA.**

- (iii) Each application under the PINK, BLUE AND WHITE Application Forms, Electronic Share Application and Internet Share Application must be for at least 100 Offer Shares or multiples of 100 Offer Shares.
- (iv) Your application must be made in connection with and subject to this Prospectus and our Memorandum and Articles. You agree to be bound by our Memorandum and Articles should you be allotted any Shares.
- (v) Your submission of an application does not necessarily mean that your application will be successful. Any submission of application is irrevocable.
- (vi) We, the Selling Shareholder or the Issuing House will not issue any acknowledgement of the receipt of your application or application monies.
- (vii) You must ensure that your personal particulars submitted in your application and/or your personal particulars as recorded by the Internet Participating Financial Institution are correct and accurate and identical with the records maintained by the Bursa Depository. Otherwise, your application will be rejected. The Bursa Depository will have to be promptly notified of any change in your address failing which the notification letter of successful allocation will be sent to your registered/correspondence address last maintained with the Bursa Depository.
- (viii) Your remittances having presented for payment shall not signify that your application has been accepted.

Our acceptance of your application to subscribe for or purchase the Offer Shares shall be constituted by the issue of notices of allotment for the Offer Shares to you.

**19. PROCEDURES FOR APPLICATION (cont'd)**

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- (ix) Submission of your CDS account number in your application includes your authority/consent in accordance with Malaysian laws of the Bursa Depository and the Participating Financial Institution (as the case may be) to disclose information pertaining to your CDS account and other relevant information to us, the Selling Shareholder or the Issuing House and any relevant regulatory bodies (as the case may be).

**You agree to accept our decision as final should we decide not to allot any shares to you.**

- (x) Additional terms and conditions for Electronic Share Applications are as follows:
- (a) You agree and undertake to subscribe for or purchase and to accept the number of Offer Shares applied for as stated in the Transaction Record or any lesser amount that may be allotted or allocated to you.
  - (b) Your confirmation by pressing the key or button on the ATM shall be treated as your acceptance of the number of Offer Shares allotted or allocated to you.
  - (c) Should you be allotted any Offer Shares, you shall be bound by our Memorandum and Articles.
  - (d) You confirm that you are not applying for Offer Shares as a nominee of other persons and that your Electronic Share Application is made on your own account as a beneficial owner.
  - (e) You request and authorise the Selling Shareholder to credit the Offer Shares allotted to you into your CDS account and to issue share certificate(s) representing those Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to the Bursa Depository.
  - (f) You acknowledge that your application is subject to electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events which are not in our control, the Selling Shareholder or the control of the Issuing House, the Participating Financial Institution or the Bursa Depository. You irrevocably agree that you are deemed not to have made an application if we, the Selling Shareholder or the Issuing House do not receive your application or your application data is wholly or partially lost, corrupted or inaccessible to us or the Issuing House. You shall not make any claim whatsoever against us, the Issuing House, the Participating Financial Institution or the Bursa Depository.
  - (g) You irrevocably authorise the Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the transfer of our Offer Shares allocated to you.
  - (h) You agree that in the event of legal disputes arising from the use of Electronic Share Applications, the mutual rights, obligations and liabilities of the parties to the Retail Offering shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.



**19. PROCEDURES FOR APPLICATION (cont'd)**

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- (xi) Additional terms and conditions for Internet Share Application are as follows:
- (a) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen. You are required to complete your Internet Share Application by the close of the Retail Offering mentioned in Section 19.1 of this Prospectus.
  - (b) You irrevocably agree and undertake to subscribe for and to accept the number of Offer Shares applied for as stated on the Confirmation Screen or any lesser amount that may be allotted or allocated to you. Your confirmation by clicking the designated hyperlink on the relevant screen of the website shall be treated as your acceptance of the number of Offer Shares allotted or allocated to you.
  - (c) You request and authorise the Selling Shareholder to credit the Offer Shares allotted to you into your CDS account and to issue share certificate(s) representing those Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to the Bursa Depository.
  - (d) You irrevocably agree and acknowledge that the Internet Share Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond our control, the Selling Shareholder or the control of the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution. If, in any such event, we, the Selling Shareholder, the Issuing House and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against us, the Selling Shareholder, the Issuing House or the Internet Participating Financial Institution and the Authorised Financial Institution.
  - (e) You irrevocably authorise the Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the transfer of our Offer Shares allocated to you.
  - (f) You agree that in the event of legal disputes arising from the use of Internet Share Application, the mutual rights, obligations and liabilities of the parties to the Retail Offering shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.
  - (g) You shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by us, the Selling Shareholder, the Issuing House and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution.

**19. PROCEDURES FOR APPLICATION (cont'd)**

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- (h) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application.
- (i) In making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, the Promoter, the Selling Shareholder, the Managing Underwriter and Joint Underwriters, the Principal Adviser and any other person involved in the Retail Offering shall not be liable for any information not contained in this Prospectus which may have been relied by you in making the Internet Share Application.

**19.8 AUTHORITY OF OUR DIRECTORS, THE SELLING SHAREHOLDER AND THE ISSUING HOUSE**

If you are successful in your application, our Directors and the Selling Shareholder reserve the right to require you to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors and the Selling Shareholder are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

Applicants will be selected in a manner to be determined by our Directors and the Selling Shareholder. Due consideration will be given to the desirability of allotting or allocating our Offer Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

The Issuing House, on the authority of our Directors and the Selling Shareholder, reserves the right to:

- (i) reject applications which do not conform to the instructions in this Prospectus or are illegible, incomplete or inaccurate;
- (ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without giving any reason; and
- (iii) bank in all application monies from unsuccessful/partially successful applicants which would subsequently be refunded without interest by registered post.

**19.9 OVER/UNDER-SUBSCRIPTION**

In the event of over-subscription in the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors and the Selling Shareholder to determine acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors and the Selling Shareholder will consider the desirability of distributing the Offer Shares to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market in the trading of our Shares. Pursuant to the Bursa Securities LR, we need to have a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of this IPO. We expect to achieve this at the point of Listing. In the event that the above requirement is not met, we may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be refunded without interest.

**19. PROCEDURES FOR APPLICATION (cont'd)**

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In the event of an under-subscription (subject to the clawback and reallocation as set out in Section 4.3.3 of this Prospectus), all the Offer Shares not applied for under the Retail Offering will be subscribed by the Managing Underwriter and Joint Underwriters pursuant to the Retail Underwriting Agreement.

Where your successfully balloted application is subsequently rejected, the full amount of your application monies will be refunded without interest to you within 10 Market Days from the date of the final ballot of the application list to your address registered with Bursa Depository.

**19.10 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful/partially successful in your application, we will refund your application monies without interest in the following manner.

**19.10.1 For applications by way of WHITE Application Form**

- (i) The application monies or the balance of it, as the case may be, will be refunded to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by registered post to your last address maintained with the Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot.
- (ii) If your application was rejected because you did not provide a CDS account number, your application monies will be sent to the address stated in the NRIC or "Resit Pengenalan Sementara (JPN KP 09)" or any valid temporary identity document issued by the National Registration Department from time to time at your own risk.
- (iii) The Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded by registered post to your last address maintained with the Bursa Depository or as per item (ii) above (as the case may be) within 10 Market Days from the date of the final ballot.

**19.10.2 For applications by way of Electronic Share Application**

- (i) The Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful application within 2 Market Days after the balloting date. The application monies or the balance of it will be credited into your account with the Participating Financial Institution without interest within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the fifth Market Day from the balloting day.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by way of cheques by registered post. The cheques will be issued not later than 10 Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Participating Financial Institution will arrange for a refund of the application money (or any part thereof) without interest within 10 Market Days from the date of the final ballot.

**19. PROCEDURES FOR APPLICATION (cont'd)**

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**19.10.3 For applications by way of Internet Share Application**

- (i) The Issuing House shall inform the Internet Participating Financial Institutions of the non-successful or partially successful application within 2 Market Days after the balloting date. The Internet Participating Financial Institution will arrange with the Authorised Financial Institution to refund the application monies or the balance of it into your account without interest or other benefit arising therefrom with the Authorised Financial Institution within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check you account on the fifth Market Day from the balloting day.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by way of cheques by registered post or ordinary post. The cheques will be issued not later than 10 Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institution will arrange for a refund of the application money (or any part thereof) without interest within 10 Market Days from the date of the final ballot.

**19.11 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (i) The Offer Shares allocated to you will be credited into your CDS account. We will not be issuing any physical share certificates to you. You shall not be entitled to withdraw any deposited securities held by Bursa Depository or its nominee as long as the Shares are listed on Bursa Securities.
- (ii) A notice of allotment will be dispatched to you at the address last maintained with the Bursa Depository where you have an existing CDS account at your own risk prior to our Listing. This is your only acknowledgement of acceptance of the application.
- (iii) In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded without any interest thereon. The refund in the form of cheques will be despatched by ordinary post to the address stated in the Application Form or to the address as stated in Bursa Depository's records for applications made via the Electronic Share Application and Internet Share Application, of the successful applicants, within 10 Market Days from the date of final ballot of application, at the successful applicants' own risk.

**19. PROCEDURES FOR APPLICATION** *(cont'd)*

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**19.12 ENQUIRIES**

You may contact the Issuing House if you have any queries on the WHITE Application Form at telephone no. (603) 7841 8000 or (603) 7841 8289. If you have any enquiry with regards to your Electronic Share Application, you may refer to the relevant Participating Financial Institution. If you have any enquiry with regards to your Internet Share Application, you may refer to the relevant Internet Participating Financial Institution and Authorised Financial Institution.

If you are applying for the Offer Shares as a member of the Malaysian public, you may check the status of your application by logging into the Issuing House's website at [www.mih.com.my](http://www.mih.com.my), or by calling the Issuing House at (603) 7841 8000 or (603) 7841 8289 or your ADA at the telephone number as stated in Section 20 of this Prospectus between 5 to 10 Market Days (during office hours only) after the balloting date.

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**20. LIST OF ADAS**

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KUALA LUMPUR</b>		
A.A. ANTHONY SECURITIES SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Telephone no.: +603 6201 1155	078-004
AFFIN INVESTMENT BANK BERHAD	Ground Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Telephone no. : +603 2143 8668	028-001
ALLIANCE INVESTMENT BANK BERHAD	17 <sup>th</sup> Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone no.: +603 2697 6333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2697 6333	086-001
BIMB SECURITIES SDN BHD	1st & 2nd Floor Podium Block, AMDB Building No. 1, Jalan Lumut 50400 Kuala Lumpur Telephone no.: +603 4043 3533	024-001
CIMB INVESTMENT BANK BERHAD	9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Telephone no.: +603 2084 9999	065-001
ECM LIBRA INVESTMENT BANK BERHAD	3rd Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no.: +603 2178 1888	052-001
ECM LIBRA INVESTMENT BANK BERHAD	Level 1, Avenue Building Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Telephone no.: +603 2089 1800	052-009
HONG LEONG INVESTMENT BANK BERHAD	Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Telephone no.: +603 2168 1168	066-001

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KUALA LUMPUR (cont'd)</b>		
HWANGDBS INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Telephone no.: +603 7710 6688	068-009
HWANGDBS INVESTMENT BANK BERHAD	Nos. 34-5, 36-5, 38-5, 40-5, 42-5 & 44-5 5th Floor, Cheras Commercial Centre Jalan 5/101C Off Jalan KasKas, 5th Mile Cheras 56100 Kuala Lumpur Telephone no.: +603 9130 3399	068-012
HWANGDBS INVESTMENT BANK BERHAD	7th, 22nd, 23rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Telephone no.: +603 2711 6888	068-014
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Telephone no.: +603 2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Telephone no.: +603 7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Telephone no.: +603 7981 8811	054-005
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Telephone no.: +603 2168 8800	053-001
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no.: +603 2164 9080	073-001

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KUALA LUMPUR (cont'd)</b>		
MAYBANK INVESTMENT BANK BERHAD	5-13 Floor, Maybanlife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Telephone no.: +603 2297 8888	098-001
M & A SECURITIES SDN BHD	Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Telephone no.: +603 2282 1820	057-002
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont Kiara 50480 Kuala Lumpur Telephone no.: +603 6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	11th & 12th Floor, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2173 8888	026-001
MIMB INVESTMENT BANK BERHAD	Level 18, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Telephone no.: +603 2691 0200	061-001
OSK INVESTMENT BANK BERHAD	20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Telephone no.: +603 2333 8333	056-001
OSK INVESTMENT BANK BERHAD	No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Telephone no.: +603 6257 5869	056-028
OSK INVESTMENT BANK BERHAD	Ground Floor No. M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Telephone no.: +603 4280 4798	056-054



**20. LIST OF ADAS (cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KUALA LUMPUR (cont'd)</b>		
OSK INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Telephone no.: +603 9058 7222	056-058
PM SECURITIES SDN BHD	Ground, Mezzanine, 1st & 10th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Telephone no.: +603 2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Telephone no.: +603 2031 3011	051-001
RHB INVESTMENT BANK BERHAD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Telephone no.: +603 9287 3888	087-001
TA SECURITIES HOLDINGS BERHAD	Floor 13-16, 23, 28-30, 34 & 35 Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Telephone no.: +603 2072 1277	058-003
<b>SELANGOR DARUL EHSAN</b>		
AFFIN INVESTMENT BANK BERHAD	2nd, 3rd & 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Telephone no.: +603 3343 9999	028-002
AFFIN INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7729 8016	028-003

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>SELANGOR DARUL EHSAN (cont'd)</b>		
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7710 6613	086-003
CIMB INVESTMENT BANK BERHAD	Ground Floor Tropicana City Office Tower 3 Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7717 3319	065-009
HONG LEONG INVESTMENT BANK BERHAD	1st, 2nd & 3rd Floor Plaza Damansara Utama No. 2, Jalan SS21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7724 6888	066-002
HWANGDBS INVESTMENT BANK BERHAD	16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Telephone no.: +603 5513 3288	068-002
HWANGDBS INVESTMENT BANK BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Telephone no.: +603 5635 6688	068-010
INTER-PACIFIC SECURITIES SDN BHD	No. 77 & 79, Jalan 2/3A Pusat Bandar Utara KM12, Jalan Ipoh Selayang 68100 Batu Caves Selangor Darul Ehsan Telephone no.: +603 6137 1888	054-006
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Telephone no.: +603 8736 1118	079-001
JF APEX SECURITIES BERHAD	15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7620 1118	079-002

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>SELANGOR DARUL EHSAN (cont'd)</b>		
KENANGA INVESTMENT BANK BERHAD	13th Floor, Menara Yayasan Selangor No. 18A, Jalan Persiaran Barat Off Jalan Timur 46000 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7956 2169	073-005
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8024 1682	073-006
KENANGA INVESTMENT BANK BERHAD	Suite 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Telephone no.: +603 3005 7550	073-007
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7725 9095	073-016
OSK INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7873 6366	056-011
OSK INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Telephone no.: +603 8736 3378	056-045
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Telephone no.: +603 6092 8916	056-047
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Telephone no.: +603 3343 9180	056-048

**20. LIST OF ADAS (cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>SELANGOR DARUL EHSAN (cont'd)</b>		
OSK INVESTMENT BANK BERHAD	3 <sup>rd</sup> Floor, 1 A-D Jalan USJ 10/1A Pusat Perniagaan USJ 10 47610 UEP Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8023 6518	056-063
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Telephone no.: +603 8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Telephone no.: +603 3341 5300	064-007
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40200 Shah Alam Selangor Darul Ehsan Telephone no.: +603 5192 0202	096-001
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8025 1880	058-005
<b>MELAKA</b>		
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : +606 2898 800	065-006
ECM LIBRA INVESTMENT BANK BERHAD	71A & 73A, Jalan Merdeka Taman Melaka Raya 75000 Melaka Telephone no.: +606 2881 720	052-008

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>MELAKA (cont'd)</b>		
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Telephone no.: +606 3371 533	012-001
MERCURY SECURITIES SDN BHD	No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Telephone no.: +606 2921 898	093-003
OSK INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Telephone no.: +606 2825 211	056-003
PM SECURITIES SDN BHD	No. 11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka Telephone no.: +606 2866 008	064-006
RHB INVESTMENT BANK BERHAD	Lot 7-13 & 15, 1st Floor Tabung Haji Building Jalan Bandar Kaba 75000 Melaka Telephone no.: +606 2833 622	087-002
<b>PERAK DARUL RIDZUAN</b>		
A.A. ANTHONY SECURITIES SDN BHD	29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : +605 6232 328	078-009
CIMB INVESTMENT BANK BERHAD	Ground, No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2082 688	065-010
ECM LIBRA INVESTMENT BANK BERHAD	No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2422 828	052-002
ECM LIBRA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Telephone no.: +605 6222 828	052-006

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>PERAK DARUL RIDZUAN (cont'd)</b>		
HWANGDBS INVESTMENT BANK BERHAD	Ground, Level 1, 2 & 3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Telephone no.: +605 8066 688	068-003
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2559 988	068-015
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2530 888	066-003
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 No.42 Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2453 400	098-002
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Telephone no.: +605 2419 800	057-001
OSK INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2415 100	056-002
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Telephone no.: +605 6236 498	056-014
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Telephone no.: +605 6921 228	056-016

**20. LIST OF ADAS (cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>PERAK DARUL RIDZUAN (cont'd)</b>		
OSK INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Telephone no.: +605 8088 229	056-034
OSK INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Telephone no.: +605 4651 261	056-044
OSK INVESTMENT BANK BERHAD	Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Telephone no.: +605 7170 888	056-052
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Telephone no.: +605 2531 313	058-001
<b>PULAU PINANG</b>		
A.A. ANTHONY SECURITIES SDN BHD	1st, 2nd & 3rd Floor Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Telephone no.: +604 2299 318	078-002
A.A. ANTHONY SECURITIES SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Telephone no.: +604 5541 388	078-003
ALLIANCE INVESTMENT BANK BERHAD	Suite 2.1 & 2.4, Level 2 Wisma Great Eastern No. 25, Lebuhraya Light 10200 Penang Telephone no.: +604 2611 688	076-015
AMINVESTMENT BANK BERHAD	Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2261 818	086-004

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>PULAU PINANG (cont'd)</b>		
CIMB INVESTMENT BANK BERHAD	Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2385 900	065-003
ECM LIBRA INVESTMENT BANK BERHAD	No. 111, Jalan Macalister 10400 Pulau Pinang Telephone no.: +604 2281 868	052-003
ECM LIBRA INVESTMENT BANK BERHAD	7th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2283 355	052-010
HWANGDBS INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Telephone no.: +604 2636 996	068-001
HWANGDBS INVESTMENT BANK BERHAD	No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Telephone no.: +604 5372 882	068-006
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Telephone no.: +604 2690 888	054-002
KENANGA INVESTMENT BANK BERHAD	Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2106 666	073-013
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Telephone no.: +604 3322 123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuhr Pantai 10300 Pulau Pinang Telephone no.: +604 2639 118	093-004



**20. LIST OF ADAS (cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>PULAU PINANG (cont'd)</b>		
OSK INVESTMENT BANK BERHAD	64, Bishop Street 20E, 20F & 20G, Penang Street 10200 Pulau Pinang Telephone no.: +604 2634 222	056-004
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai Pulau Pinang Telephone no.: +604 3900 022	056-005
OSK INVESTMENT BANK BERHAD	Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Telephone no.: +604 5402 888	056-015
OSK INVESTMENT BANK BERHAD	834, Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Telephone no.: +604 5831 888	056-032
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Telephone no.: +604 6404 888	056-042
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2273 000	064-004
<b>PERLIS INDRA KAYANGAN</b>		
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Podium Block KWSP Building 01000 Kangar Perlis Indra Kayangan Telephone no.: +604 9765 200	076-003
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Telephone no.: +604 9793 888	056-061

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KEDAH DARUL AMAN</b>		
A.A. ANTHONY SECURITIES SDN BHD	Lot 4, 5 & 5A 1st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Telephone no.: +604 7322 111	078-007
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Telephone no.: +604 7317 088	076-004
HWANGDBS INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Telephone no.: +604 4256 666	068-011
OSK INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Telephone no.: +604 4204 888	056-017
OSK INVESTMENT BANK BERHAD	35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Telephone no.: +604 4964 888	056-019
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Telephone no.: +604 7209 888	056-021
<b>NEGERI SEMBILAN DARUL KHUSUS</b>		
ECM LIBRA INVESTMENT BANK BERHAD	1C-1 & 1D-1, First Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Telephone no.: +606 7655 998	052-013
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Telephone no.: +606 7612 288	068-007

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>NEGERI SEMBILAN DARUL KHUSUS (cont'd)</b>		
HWANGDBS INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Telephone no.: +606 4553 188	068-013
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Telephone no.: +606 7641 641	056-024
OSK INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Telephone no.: +606 4421 000	056-037
OSK INVESTMENT BANK BERHAD	1st & 2nd Floor No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Telephone no.: +606 4553 014	056-040
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Telephone no.: +606 6461 234	056-046
PM SECURITIES SDN BHD	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Telephone no.: +606 7623 131	064-002
<b>JOHOR DARUL TAKZIM</b>		
A.A. ANTHONY SECURITIES SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Telephone no.: +607 3332 000	078-001
A.A. ANTHONY SECURITIES SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Telephone no.: +607 6637 398	078-005

**20. LIST OF ADAS (cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>JOHOR DARUL TAKZIM (cont'd)</b>		
A.A. ANTHONY SECURITIES SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3513 218	078-006
A.A. ANTHONY SECURITIES SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Telephone no.: +607 5121 633	078-008
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Telephone no.: +607 7717 922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4342 282	086-002
AMINVESTMENT BANK BERHAD	18th & 31st Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Telephone no.: +607 3343 855	086-006
ECM LIBRA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Telephone no.: +606 9532 222	052-004
ECM LIBRA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Telephone no.: +607 4678 885	052-005
HWANGDBS INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Telephone no.: +607 2222 692	068-004

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>JOHOR DARUL TAKZIM (cont'd)</b>		
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Telephone no.: +607 2231 211	054-004
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Telephone no.: +607 3333 600	073-004
KENANGA INVESTMENT BANK BERHAD	No. 31, Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Telephone no.: +606 9542 711	073-008
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Telephone no.: +607 9333 515	073-009
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Telephone no.: +607 7771 161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Telephone no.: +606 9782 292	073-011
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Telephone no.: +607 3316 992	093-005
MIMB INVESTMENT BANK BERHAD	Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Telephone no.: +607 2227 388	061-002

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>JOHOR DARUL TAKZIM (cont'd)</b>		
OSK INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Telephone no.: +607 2788 821	056-006
OSK INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4380 288	056-009
OSK INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Telephone no.: +606 9538 262	056-025
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Telephone no.: +607 5577 628	056-029
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Telephone no.: +607 9321 543	056-030
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 17, Jalan Manggis 86000 Kluang Johor Darul Takzim Telephone no.: +607 7769 655	056-031
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Telephone no.: +607 6626 288	056-035
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Telephone no.: +606 9787 180	056-038

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>JOHOR DARUL TAKZIM (cont'd)</b>		
OSK INVESTMENT BANK BERHAD	1st Floor, No. 2 & 4 Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Telephone no.: +607 9256 881	056-039
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 1 & 1-01, Jalan Rosmerah 2/11 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3522 293	056-043
PM SECURITIES SDN BHD	No. 41, Jalan Molek 2/4 Taman Molek 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3513 232	064-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4333 608	064-008
<b>PAHANG DARUL MAKMUR</b>		
ALLIANCE INVESTMENT BANK BERHAD	A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Telephone no.: +609 5660 800	076-002
CIMB INVESTMENT BANK BERHAD	Ground 1 <sup>st</sup> & 2 <sup>nd</sup> No. A-27 (Aras G, 1 & 2) Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Telephone no. : +609 5057 800	065-007
ECM LIBRA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2, Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Telephone no.: +609 5171 698	052-007
OSK INVESTMENT BANK BERHAD	B2 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Telephone no.: +609 5171 698	056-007
OSK INVESTMENT BANK BERHAD	Ground Floor 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Telephone no.: +609 2234 943	056-022

**20. LIST OF ADAS (cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>PAHANG DARUL MAKMUR (cont'd)</b>		
OSK INVESTMENT BANK BERHAD	Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Telephone no.: +605 4914 913	056-041
<b>KELANTAN DARUL NAIM</b>		
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim. Telephone no.: +609 7430 077	056-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Telephone no.: +609 7432 288	058-004
<b>TERENGGANU DARUL IMAN</b>		
ALLIANCE INVESTMENT BANK BERHAD	No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Telephone no.: +609 6317 922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Telephone no.: +609 6238 128	021-001
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Telephone no.: +609 8583 109	056-027
OSK INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Telephone no.: +609 6261 816	056-055



**20. LIST OF ADAS (cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>SARAWAK</b>		
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Telephone no.: +6082 244 791	086-005
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26, Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Telephone no.: +6082 358 606	065-004
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibul Sarawak Telephone no.: +6084 367 700	065-008
HWANGDBS INVESTMENT BANK BERHAD	Lot 328, Jalan Abell 93100 Kuching Sarawak Telephone no.: +6082 236 999	068-005
HWANGDBS INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Telephone no.: +6086 330 008	068-016
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Telephone no.: +6085 435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Telephone no.: +6082 338 000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibul Sarawak Telephone no.: +6084 313 855	073-012

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>SARAWAK (cont'd)</b>		
OSK INVESTMENT BANK BERHAD	Ground, 1st & 6th Floor Wisma Chinese Chambers Lot 357, Section 47, K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak Telephone no.: +6082 422 252	056-008
OSK INVESTMENT BANK BERHAD	Lot 1268, 1st & 2nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Telephone no.: +6085 422 788	056-012
OSK INVESTMENT BANK BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Telephone no.: +6084 329 100	056-013
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Telephone no.: +6084 654 100	056-050
OSK INVESTMENT BANK BERHAD	Ground Floor No. 177, Taman Sri Dagang 97000 Bintulu Sarawak Telephone no.: +6086 311 770	056-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Telephone no.: +6084 319 998	058-002
TA SECURITIES HOLDINGS BERHAD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Telephone no.: +6082 236 333	058-006

## 20. LIST OF ADAS (cont'd)

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>SABAH</b>		
CIMB INVESTMENT BANK BERHAD	1st & 2nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Telephone no.: +6088 328 878	065-005
ECM LIBRA INVESTMENT BANK BERHAD	Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Telephone no.: +6088 236 188	052-012
HWANGDBS INVESTMENT BANK BERHAD	Suite 1-9-E1, 9th Floor, CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Telephone no.: +6088 311 688	068-008
INNOSABAH SECURITIES BERHAD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Telephone no.: +6088 234 090	020-001
OSK INVESTMENT BANK BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Telephone no.: +6088 269 788	056-010
OSK INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Telephone no.: +6089 229 286	056-057

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010



**PETRONAS CHEMICALS GROUP BERHAD**  
 (formerly known as Kuantan Terminals Sdn Bhd)  
 (459830-K)  
 (Incorporated in Malaysia)

**MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010**

PETRONAS Chemicals Group Berhad ("PCG" or the "Company") currently expects to be admitted for listing on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 26 November 2010 ("Listing"). As a listed company, it will be required by the Listing Requirements of the Main Market of Bursa Securities to make timely announcements of its interim financial report on a quarterly basis on Bursa Securities. The first announcement will be made by 30 November 2010. Therefore, the unaudited consolidated management accounts of PCG and its subsidiaries ("PCG Group") for the period ended 30 September 2010 has been included in order to provide prospective investors with access to the financial information which will be announced shortly after the Listing.

The Board of Directors of PCG is pleased to append the following unaudited consolidated management accounts for the period ended 30 September 2010 which should be read in conjunction with the Prospectus dated 1 November 2010 and the Notes on pages A-7 to A-15.

These unaudited consolidated management accounts of PCG Group were prepared in accordance with accounting policies of PCG Group that are in compliance with the Financial Reporting Standards ("FRS") in Malaysia. As the objective of these unaudited consolidated management accounts is to provide prospective investors with the latest available financial information, there is no requirement for its presentation to include all necessary notes and the statement of changes in equity that are required to be disclosed or presented in accordance with FRS134, Interim Financial Reporting. Therefore, the presentation of these unaudited consolidated management accounts is not intended to, and does not, comply with FRS134.

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>In RM Mil</i>	6 months period ended 30 September	
	2010	2009
Revenue	6,335	5,221
Cost of revenue	(4,616)	(3,774)
<b>Gross profit</b>	<b>1,719</b>	<b>1,447</b>
Selling and distribution expenses	(189)	(159)
Administration expenses	(197)	(156)
Other expenses	(55)	(20)
Other income	162	295
<b>Operating profit</b>	<b>1,440</b>	<b>1,407</b>
Financing costs	(39)	(24)
Share of profit after tax and minority interests of equity accounted associates and jointly controlled entities	286	74
<b>Profit before taxation</b>	<b>1,687</b>	<b>1,457</b>
Tax expense	(385)	(297)
<b>PROFIT FOR THE PERIOD</b>	<b>1,302</b>	<b>1,160</b>

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



**PETRONAS CHEMICALS GROUP BERHAD**  
 (formerly known as Kuantan Terminals Sdn Bhd)  
 (459830-K)  
 (Incorporated in Malaysia)

## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)**

	6 months period ended 30 September	
	2010	2009
<i>In RM Mil</i>		
<b>Other comprehensive income, net of tax</b>		
Foreign currency translation differences for foreign operations	2	2
Share of other comprehensive income of associates and jointly controlled entities	9	(4)
	11	(2)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	1,313	1,158
<b>Profit attributable to:</b>		
Shareholders of the Company	1,188	980
Minority interests	114	180
<b>PROFIT FOR THE PERIOD</b>	1,302	1,160
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	1,199	978
Minority interests	114	180
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	1,313	1,158
<b>Earnings per share attributable to shareholders of the Company</b>		
Based on shares in issue after the Reorganisation (RM)	0.16	0.13
Based on enlarged shares in issue after the Reorganisation and IPO (RM) (for illustrative purpose)	0.15	0.12

The consolidated statements of comprehensive income were extracted from the management accounts of PCG. The management accounts were prepared in accordance with accounting policies of PCG that are in compliance with the Financial Reporting Standards in Malaysia.

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



**PETRONAS CHEMICALS GROUP BERHAD**  
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## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	As at 30 September 2010	As at 31 March 2010
<i>In RM Mil</i>		
<b>ASSETS</b>		
Property, plant and equipment	12,889	12,992
Investments in associates	872	822
Investments in jointly controlled entities	74	107
Intangible assets	1,997	1,211
Long term receivables	30	32
Deferred tax assets	497	491
<b>TOTAL NON-CURRENT ASSETS</b>	<b>16,359</b>	<b>15,655</b>
Trade and other inventories	1,241	1,231
Trade and other receivables	1,634	2,237
Tax recoverable	153	212
Fund and other investments	20	25
Cash and cash equivalents	3,462	7,532
<b>TOTAL CURRENT ASSETS</b>	<b>6,510</b>	<b>11,237</b>
<b>TOTAL ASSETS</b>	<b>22,869</b>	<b>26,892</b>
<b>EQUITY</b>		
Share capital	730	1
Reserves	13,658	17,068
<b>Total equity attributable to shareholders of the Company</b>	<b>14,388</b>	<b>17,069</b>
Minority shareholders' interests	1,341	1,979
<b>TOTAL EQUITY</b>	<b>15,729</b>	<b>19,048</b>
<b>LIABILITIES</b>		
Borrowings	3,261	1,254
Deferred tax liabilities	1,434	1,167
Other long term liabilities and provisions	27	28
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>4,722</b>	<b>2,449</b>
Trade and other payables	1,740	4,734
Borrowings	447	623
Taxation	231	38
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,418</b>	<b>5,395</b>
<b>TOTAL LIABILITIES</b>	<b>7,140</b>	<b>7,844</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22,869</b>	<b>26,892</b>

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



PETRONAS CHEMICALS GROUP BERHAD  
 (formerly known as Kuantan Terminals Sdn Bhd)  
 (459830-K)  
 (Incorporated in Malaysia)

MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)**

	As at 30 September 2010	As at 31 March 2010
<b>Net assets per share attributable to shareholders of the Company:</b>		
Based on shares in issue after the Reorganisation (RM)	1.97	2.34

The consolidated statements of financial position were extracted from the management accounts of PCG. The management accounts were prepared in accordance with accounting policies of PCG that are in compliance with the Financial Reporting Standards in Malaysia.

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



**PETRONAS CHEMICALS GROUP BERHAD**  
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## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	6 months period ended 30 September	
	2010	2009
<i>In RM Mil.</i>		
Cash receipts from customers	6,959	5,066
Cash paid to suppliers and employees	(7,561)	(3,232)
	(602)	1,834
Interest income received	82	43
Taxation paid	(119)	(149)
<b>Cash flows (used in)/generated from operating activities</b>	<b>(639)</b>	<b>1,728</b>
Net cash (paid)/acquired resulting from acquisition of shares in subsidiaries	(835)	484
Investment in securities	-	(22)
Purchase of property, plant and equipment	(219)	(340)
Other long term receivables	2	22
Proceeds from disposal of securities	5	135
<b>Cash flows (used in)/generated from investing activities</b>	<b>(1,047)</b>	<b>279</b>
Dividends paid to Petroliam Nasional Berhad ("PETRONAS")	(2,781)	(288)
Dividends paid to minority shareholders	(468)	(112)
Redemption of preference shares:		
- PETRONAS	(48)	-
- Others (third party)	(32)	-
Drawdown of:		
- PETRONAS loans and advances	1,252	-
- revolving credits and bankers' acceptance	1,909	1,114
Repayment of:		
- PETRONAS loans and advances	(5)	(44)
- Islamic financing facilities	(92)	-
- term loans	(30)	(52)
- revolving credits and bankers' acceptance	(2,060)	(1,031)
Interest expense paid	(21)	(11)
<b>Cash flows used in financing activities</b>	<b>(2,376)</b>	<b>(424)</b>
Net (decrease)/increase in cash and cash equivalents	(4,062)	1,583
Net foreign exchange differences	(5)	(4)
Cash and cash equivalents at beginning of the period	7,443	6,926
<b>Cash and cash equivalents at end of the period</b>	<b>3,376</b>	<b>8,505</b>



## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



PETRONAS CHEMICALS GROUP BERHAD  
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 (Incorporated in Malaysia)

## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

<i>In RM Mil</i>	As at 30 September 2010	As at 30 September 2009
<b>Cash and cash equivalents</b>		
Cash and bank balances and deposits	3,462	8,660
Less: Deposits restricted	(86)	(155)
	<u>3,376</u>	<u>8,505</u>

The consolidated statements of cash flows were extracted from the management accounts of PCG. The management accounts were prepared in accordance with accounting policies of PCG that are in compliance with the Financial Reporting Standards in Malaysia.

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



PETRONAS CHEMICALS GROUP BERHAD  
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## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

**EXPLANATORY NOTES****1. BASIS OF PREPARATION**

The unaudited consolidated management accounts of PCG Group were prepared in accordance with the accounting policies of PCG Group that are in compliance with the FRS in Malaysia.

Acquisition of subsidiaries under common control (in which all parties involved, being the acquirer, acquiree and seller, are ultimately controlled by the same entity before and after the acquisition) are consolidated using the merger method of accounting. Under the merger method of accounting, the results of subsidiaries acquired during the year are included from the date in which the subsidiaries first came under common control. All relevant comparative management accounts' items are therefore restated to reflect as if the acquisition had been in effect since the date of common control.

On consolidation, the difference between the carrying value of the investment and the nominal value of shares received is treated as a merger reserve or deficit. Merger reserves are classified as equity and included in non-distributable capital reserves. Merger deficits are adjusted against any suitable reserve to the extent that laws or statutes do not prohibit the use of this reserve.

Other acquisitions of subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired during the year are included in the consolidated management accounts from the date that control commences until the date that control ceases. The purchase method of accounting involves allocating the cost of acquisition to the Group's interest in fair value of the assets acquired, liabilities and contingent liabilities assumed at the date of acquisition.

**2. AUDIT QUALIFICATION**

The individual audited financial statements of PCG and its subsidiaries for the year ended 31 March 2010 were not subject to any audit qualification.

**3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The prices of petrochemical products and their underlying feedstock are subject to significant fluctuations as they are influenced both by global supply and demand as well as movements in the prices of key commodities such as crude oil and natural gas. Consequently, margins have historically been cyclical and are sensitive to supply and demand imbalances both domestically and internationally. Supply is affected by significant capacity expansions by producers, and if such additions are not matched by corresponding growth in demand, which is generally linked to the level of economic activity, average industry operating margins will face downward pressures. As a result, the petrochemical cycle is characterised by periods of tight supply, leading to high capacity utilisation rates and margins, followed by periods of oversupply, primarily resulting from significant capacity additions, leading to reduced capacity utilisation rates and margins.

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



PETRONAS CHEMICALS GROUP BERHAD  
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## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

## EXPLANATORY NOTES (continued)

## 4. EXCEPTIONAL ITEMS

There were no exceptional items during the period ended 30 September 2010.

## 5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the individual audited financial statements of PCG and its subsidiaries for the year ended 31 March 2010 that may have a material effect in the current financial period to-date.

## 6. DEBTS AND EQUITY SECURITIES

Save as disclosed in Section 12.1.2 of the Prospectus, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period ended 30 September 2010.

## 7. SEGMENT RESULTS AND REPORTING

- Olefins and Polymers - activities include the supply and trading, manufacturing, marketing and transportation of a wide range of olefin and polymer products, which are used as basic feedstock for other products, to intermediate products including basic and high performance chemicals.
- Fertilisers and Methanol - activities include producing and selling methanol and a range of nitrogen, phosphate and compound fertilisers.
- Others – comprises other businesses that support the petrochemicals' business operations and unallocated income and expenses.

## 7.1 Revenue

In RM Mil	6 months period ended 30 September					
	External customers		Inter segment		Gross total revenue	
	2010	2009	2010	2009	2010	2009
Olefins and Polymers	4,828	3,880	3	5	4,831	3,885
Fertilisers and Methanol	1,471	1,309	30	-	1,501	1,309
Others	36	32	20	21	56	53
<b>Total</b>	<b>6,335</b>	<b>5,221</b>	<b>53</b>	<b>26</b>	<b>6,388</b>	<b>5,247</b>

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



PETRONAS CHEMICALS GROUP BERHAD  
(formerly known as Kuantan Terminals Sdn Bhd)  
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## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

## EXPLANATORY NOTES (continued)

## 7. SEGMENT RESULTS AND REPORTING (continued)

## 7.2 EBITDA and Profit for the period

In RM Mil	6 months period ended 30 September			
	EBITDA <sup>1</sup>		Profit	
	2010	2009	2010	2009
Olefins and Polymers <sup>2</sup>	1,905	1,329	1,164	818
Fertilisers and Methanol <sup>3</sup>	329	296	120	114
Others <sup>4</sup>	38	242	18	228
Total	2,272	1,867	1,302	1,160

## 8. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluation of property, plant and equipment during the period under review. As at 30 September 2010, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

## 9. MATERIAL SUBSEQUENT EVENTS

Save as disclosed in Note 17, there were no material events subsequent to the end of the period under review.

## 10. CHANGES IN COMPOSITION OF THE GROUP

For changes in composition of the Group, please refer to Section 12.1.2 of the Prospectus.

<sup>1</sup> EBITDA refers to earnings before interest expense, taxation, depreciation and amortisation. EBITDA includes interest income of RM87 million (September 2009: RM78 million) and negative goodwill of RM nil (September 2009: RM175 million).

<sup>2</sup> EBITDA for Olefins and Polymers includes interest income of RM52 million (September 2009: RM40 million) and share of profit of associates and jointly controlled entities of RM262 million (September 2009: RM46 million).

<sup>3</sup> EBITDA for Fertilisers and Methanol includes interest income of RM35 million (September 2009: RM38 million) and share of profit of associates and jointly controlled entities of RM2 million (September 2009: RM7 million).

<sup>4</sup> EBITDA for Others includes share of profit of associates and jointly controlled entities of RM22 million (September 2009: RM21 million) and negative goodwill RM nil (September 2009: RM175 million).

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



PETRONAS CHEMICALS GROUP BERHAD  
 (formerly known as Kuantan Terminals Sdn Bhd)  
 (459830-K)  
 (Incorporated in Malaysia)

## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

## EXPLANATORY NOTES (continued)

## 11. SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties are those defined under FRS 124, *Related Party Disclosures*. The significant related party transactions described below were carried out in the ordinary course of business:

<i>In RM Mil</i>	<u>Transactions amount for the period 30 September 2010</u>
<b>PETRONAS:</b>	
Purchase of processed gas and natural gas	(1,737)
Management fees	(3)
Interest expenses	(19)
<b>Subsidiaries of PETRONAS:</b>	
Sales of petrochemical products	1,147
Purchase of heavy naphtha	(766)
Purchase of petrochemical products	(281)
Purchase of processed gas and natural gas	(13)
Purchase of utilities and materials and supplies	(306)
Purchase of warehouse and transportation services	(12)
Grant for the right of usage of facilities	2
Training and development related costs	(3)
<b>Associates and jointly controlled entities of PCG Group:</b>	
Sales of petrochemical products	1,142
Purchase of petrochemical products	(99)
Purchase of warehouse and transportation services	(56)
<b>Corporate shareholders of PCG Group:</b>	
Sales of petrochemical products	256
Commission paid	(7)

The terms and conditions for the above transactions are based on negotiated terms. All the amounts outstanding are unsecured and expected to be settled with cash. Certain balances are subjected to interest charge up to 3.2% per annum.

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



**PETRONAS CHEMICALS GROUP BERHAD**  
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## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

**EXPLANATORY NOTES (continued)**

## 12. REVIEW OF GROUP PERFORMANCE

<i>In RM Mil</i>	6 months period ended 30 September	
	2010	2009
Revenue	6,335	5,221
Operating profit	1,440	1,407
Profit for the period	1,302	1,160
EBITDA <sup>1</sup>	2,272	1,867
EBITDA margin (%)	35.9	35.8
Plant utilisation rate <sup>3</sup> (%)	84.0	78.7
	As at 30 September	As at 31 March
Total assets	22,869	26,892
Shareholders' equity	15,729	19,048

PCG Group recorded improved financial performance for the six-month period ended 30 September 2010 compared to the corresponding period last year. The Group generated higher revenue by 21.3% at RM6.3 billion on the back of higher realised prices as demand increased aided by improved market condition as well as higher volume sold from improved plant utilisation, higher methanol production from the Mega Methanol plant and additional volume from the acquisition of OPTIMAL Chemicals in September 2009.

Most petrochemical product prices traded higher over the period with ethylene increasing by 12.7% and polypropylene by 14.1%.

<sup>1</sup> EBITDA refers to earnings before interest expense, taxation, depreciation and amortisation. EBITDA includes interest income of RM87 million (September 2009: RM78 million) and negative goodwill of RM nil (September 2009: RM175 million).

<sup>2</sup> The following is a reconciliation of our profit before taxation to EBITDA:

<i>In RM Mil</i>	6 months period ended 30 September	
	2010	2009
Profit before taxation	1,687	1,457
Amortisation	39	1
Depreciation	507	385
Finance costs	39	24
EBITDA	2,272	1,867

<sup>3</sup> Total production (including off-specifications products) expressed as a percentage of nameplate capacity during the year.

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



PETRONAS CHEMICALS GROUP BERHAD  
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## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

## EXPLANATORY NOTES (continued)

## 12. REVIEW OF GROUP PERFORMANCE (continued)

Although stronger product prices were mirrored in the price increases of major feedstocks, PCG Group's overall spreads between product prices and feedstock prices remain strong resulting in higher EBITDA at RM2.3 billion compared to RM1.9 billion last period.

Selling and distribution expenses increased in line with the higher level of the Group's sales volume. Administration expenses for the period include amortisation of intangible assets of RM37.7 million based on final purchase price allocation relating to the acquisition of OPTIMAL Olefins and OPTIMAL Chemicals, and other income in the previous period includes negative goodwill arising from the acquisition of OPTIMAL Glycols amounting to RM175.0 million. In combination, these factors resulted in higher operating profit at RM1.44 billion compared to RM1.41 billion last period; this increase in operating profit was, however, smaller than the increase in revenue.

Higher profit for the current period of RM1.3 billion compared to RM1.16 billion last period is also supported by share of profits of associates and jointly controlled entities increasing by RM212 million, mainly due to an increase of profits in BASF PETRONAS Chemicals, which recorded increased sales volume and margin.

PCG Group's favourable performance was also supported by improved average plant utilisation rate for the six-month period ended 30 September 2010 by 5.3% to reach 84.0% as a result of lower plant turnaround shutdown days.

Total assets decreased from RM26.9 billion to RM22.9 billion, representing a 15.0% decrease, primarily due to payments of dividends made to PETRONAS pursuant to PCG Reorganisation exercise.

<i>In RM Mil</i>	6 months	4 months
	period ended	period ended
	30 September	31 July
	2010	2010
Revenue	6,335	4,218
Operating profit	1,440	1,070
Profit for the period	1,302	938
EBITDA <sup>1</sup>	2,272	1,582
EBITDA margin (%)	35.9	37.5
Plant utilisation rate <sup>2</sup> (%)	84.0	81.6

<sup>1</sup> EBITDA refers to earnings before interest expense, taxation, depreciation and amortisation. EBITDA includes interest income of RM87 million (July 2010: RM59 million).

<sup>2</sup> Total production (including off-specifications products) expressed as a percentage of nameplate capacity during the year.

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



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## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

## EXPLANATORY NOTES (continued)

## 12. REVIEW OF GROUP PERFORMANCE (continued)

PCG Group generated RM2.1 billion revenue in August and September 2010. Generally, most petrochemical product prices rose during August and September 2010 after experiencing softening price trend from May to July 2010. However, product prices for these two months are yet to rebound to the levels of April and May 2010, resulting in average prices for the six-month period ended 30 September 2010 being lower compared to the four-month period ended 31 July 2010.

PCG Group's overall spreads between product prices and feedstock prices in August and September 2010 narrowed compared to the four-month period ended 31 July 2010 as product prices rose at a slower pace compared to feedstock prices, in particular naphtha, resulting in lower EBITDA margin at 35.9% compared to 37.5%.

Average plant utilisation rate for the six-month period ended 30 September 2010 improved by 2.4% to reach 84.0% compared to 81.6% as a result of improved plant performance. A number of plants achieved more than 100% utilisation rate in August and September 2010 including among others, ethylene, polypropylene, LDPE, MTBE, urea and ammonia plants.

## 13. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group did not publish any profit forecast.

## 14. TAXATION

<i>In RM Mil</i>	6 months period ended 30 September	
	2010	2009
Current tax expenses		
Malaysia	380	247
Deferred tax expenses		
Origination and reversal of temporary differences	5	50
	<u>385</u>	<u>297</u>

The Group effective tax rates for the 6 months period ended 30 September 2010 and 30 September 2009 are 23% and 20% respectively.





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MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

**EXPLANATORY NOTES (continued)**

**14. TAXATION (continued)**

The lower effective tax rates as compared to statutory tax rates of 25% were due to share of profit after tax and minority interests of equity accounted associates and jointly controlled entities, excluding which the effective tax rates are 27% and 21% respectively ("normalised tax rates").

Normalised tax rate for the period is higher mainly due to non-recognition of deferred tax assets relating to unutilised tax losses while last year's tax rate is lower due to non taxability of negative goodwill arising from acquisition of OPTIMAL Glycols.

**15. SALES OF UNQUOTED INVESTMENTS/PROPERTIES**

There were no material disposals of unquoted investments or properties during the 6-month period ended 30 September 2010 other than as disclosed in Section 12 of the Prospectus.

**16. QUOTED SECURITIES**

There were no material dealings in quoted securities during the period under review.

**17. STATUS OF CORPORATE PROPOSALS**

As set out in Section 14.1 of the Prospectus, the SC has approved PCG's IPO (details of the IPO are set out in Section 4.3 of the Prospectus). Barring any unforeseen circumstances, the Listing is expected to be completed by end of November 2010. Save as disclosed, there is no other major corporate proposal pending completion.

**18. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instruments as at the date of this report.

**19. DIVIDEND**

Other than those dividend declared and paid as stipulated in Section 12.1.2 of the Prospectus, the Board of Directors of the Company does not recommend any payment of dividend for the current financial period under review.

## ANNEX A: MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (cont'd)



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## MANAGEMENT ACCOUNTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

## EXPLANATORY NOTES (continued)

## 20. EARNINGS PER SHARE

<i>In RM Mil</i>	6 months period ended 30 September	
	2010	2009
Profit for the period attributable to shareholders of the Company	1,188	980
<b><i>Earnings per share attributable to shareholders of the Company:</i></b>		
Based on shares in issue after the Reorganisation:		
In thousands of shares	7,300,000	7,300,000
Earnings per share (RM)	0.16	0.13
Based on enlarged shares in issue after the Reorganisation and IPO:		
In thousands of shares	8,000,000	8,000,000
Earnings per share (RM) (For illustrative purpose only)	0.15	0.12

Save for the IPO, the Company has no potential ordinary shares in issue as at the date of the statement of financial position. Diluted earnings per share is equal to basic earnings per share.